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# West Europe Report



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10 APRIL 1987

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## CONSERVATIVE VIEWS CP'S NEW 'EUROCOMMUNIST PROGRAM'

Helsinki UUSI SUOMI in Finnish 12 Feb 87 p 2

[Editorial: "Finnish Communist Party Has Eurocommunist Program"]

[Text] The new draft program of the SKP [Finnish Communist Party] is clearly Eurocommunist: in it there is a disassociation from the supremacy of the CPSU, and no longer a belief in revolution and in the dictatorship of the proletariat or even in the leading role of the SKP. However, they are still on the path to communism through socialism.

How Communist parties define their relationship with the Soviet Union and its Communist Party has been traditionally important in the programs of Communist parties. Eurocommunism has been called an attempt to emphasize national traits instead of direct supervision from Moscow.

The Finnish Communist Party is emphasizing "Finland's conditions" as well as equating the CPSU and Western European Communist parties as partners in cooperation. The program also includes some definite criticism of real socialism. A reference to "bureaucratic central control" as a hindrance to progress is rather mild language compared to General Secretary Gorbachev's recent lashes of the whip.

The dictatorship of the proletariat or the autocracy of the Communist Party is being increasingly rejected as one of the objectives of the SKP. In particular, the special position of any party in a socialist Finland is being prohibited.

Also there is not much left of the vanguard theory or communism as factors of a revolution. The SKP imagines that it can lead the majority of Finns to socialism by the secret ballot.

Just as important as what is not in the program, of course, is also what is in it. Even though Finland's "peaceful policy of neutrality" is mentioned in the program, the problems of the whole world are blamed on the United States, the EEC, and the OECD, which are mentioned by name, as well as on the capitalist system, in general.

Thus, as far as foreign policy is concerned, the SKP is far from our country's traditional policy line. It is a one-sided and even unjust judge, not a physician.

"Territorial autonomous organs", which will "create economic units", have been developed along side the traditional points of building socialism. The scope of this area policy socialism still remains sketchy.

Translating the significance of language peculiar to communism still remains to be done in the program. The "real freedom" of small entrepreneurs, for example, would mean an "end to the debt spiral" and "stable markets". How these objectives will be accomplished remains open, however. In the economic reforms in the Soviet Union and China, enterprises are otherwise offered incentive risks in addition to freedoms.

The program attempts to combine fire and water at the concept level: communism and freedom, autonomy and a planned economy. The attempt is good, but impossible.

The SKP's new draft program is a great leap in the direction of accepting Finland's democratic state system and a disassociation from the centrally directed dogmatic Stalinism. At this moment, what is no longer said in the program is most important in this leap.

On the other hand, the analysis of existing conditions is groping and internally conflicting. Since a revolution is not accomplished, the only thing that remains is the hope that the majority of the people will recognize the superiority of communism.

From Finland's point of view, this development is more valuable than hanging on to the old dogmatism.

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## COLUMNIST VIEWS VAYRYNEN'S MOUNTING PROBLEMS IN OWN PARTY

Helsinki UUSI SUOMI in Finnish 11 Feb 87 p 2

[Commentary by Martti Haikio]

[Text] Paavo Vayrynen has the reputation of being a failure and a busybody. He attempted to bring about the fall of Koivisto's government in 1981, but nothing came of it. It is difficult to interpret his initiatives last fall as having succeeded any better.

He was publicly ridiculed for holing up in his summer cabin. His personal popularity has been on the decline, not on the increase in recent months.

Center Party Parliamentary Group Chairman Kauko Juhantalo's chicanery demonstrated that Vayrynen is alone in his own party also. One can almost come to the conclusion that Paavo Vayrynen's role in the leadership positions of this republic is beginning to come to an end.

But in politics there are forces other than what things appear to be from the outside. The moment of truth has come for a lonely, furious Vayrynen, who has been driven into a corner.

It is known that Vayrynen is writing his important speeches more and more by himself. The speech for the 80th anniversary of the Pohjois-Pohjala [Northern Ostrobothnia] Student Association last Saturday was written during his trip to India.

Vayrynen had timed his speech well -- as the preliminaries of the debate starting up on the elections. Also the outward circumstances lent additional force to what he had to say -- stepping into the cathedra of the great teacher, Urho Kekkonen, or structuring his speech as a direct continuation of Kekkonen's famous Ostrobothnia speech.

Vayrynen's use of language was direct and open. He made a realistic analysis of the situation in Finnish society and built clear functional conclusions on its basis.

Finland has become an information and computer society, to which the political structures of an agricultural and industrial society are no longer suitable. Therefore, a "new people's front" must be formed in the country: a

joint government of the Center Party, the Conservative Party, and the Social Democrats. He even outlined a program for this government.

Vayrynen referred to his own development in the manner of Kekkonen. He came to study in 1966, the year the people's front was established. He has been a minister since 1975 in various governments for a total of 10 years. He has more experience in dealing with the Social Democrats in the same government than anyone else with the exception of Johannes Virolainen.

Since Vayrynen has now proposed -- and has consistently done so since last April -- taking the Conservatives as an equal partner into government, it is, indeed, a question of a great change.

But activism and even good new initiatives become "meddling" if they cannot be carried out. Vayrynen used this expression himself as a foreign minister when he restrained demands to make Finnish foreign policy more active at a press conference concerning UN policy held just before Christmas.

"The preservation of credibility presupposes realistic opportunities for achieving results," said Vayrynen in warning busybodies.

However, Vayrynen himself has the reputation of being a busybody. The "new people's front" is one such initiative as a continuation of many others and there is no telling what its fate will be.

Therefore, Vayrynen should not be taken very seriously. His speech about a government of the big three is seen as an old Center Party election tactic, by which the wings of excessive enthusiasm on the part of the Social Democrats have been clipped before. And after the elections, we have gone back to the old red earth policy in dividing up interests and positions.

If Vayrynen's initiative is considered to be meddling, then, in the first place, no one will believe that he means what he says and that he can accomplish what he says.

But there is another possibility: Vayrynen is serious. Even Kekkonen was a great failure in the first 10 years of his political career, but after the war he gradually learned to push through those issues which he took on.

As is known, relations between Vayrynen and the SDP are not good at all. Vayrynen's strategic position on the political map is, however, better than Kalevi Sorsa's. The fact that Vayrynen is not liked in the Social Democratic camp is the very result of the unpleasant fact that Vayrynen wants -- and also can -- bring an end to the SDP's hegemony in this country.

The reality of Vayrynen's new operational line is being weighed by the magnitude of his personal ambition. If he sees himself to be too indispensable and imagines that he can force others to support his aspiration to be prime minister, he is wrong.

But if at this point he is satisfied with changing the political direction and taking the Conservatives into the government and only wants the foreign minister's portfolio for himself, it will, indeed, be difficult to push him aside.

In any case, Paavo Vayrynen now must show his hand. Either his speech has some credibility or he will remain an eternal busybody, which will gradually place him on the sidelines.

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## PASQUA ON POLLS, IMMIGRANTS, AGITATORS, JOURNALISTS

Paris LE FIGARO MAGAZINE in French 31 Jan 87 pp 54-57

[Interview with Interior Minister Charles Pasqua in his office in the Place Beauvau, by Jean-Louis Remilleux; time of interview not given; first five paragraphs are introductory material]

[Text] He is the man to shoot down. Charles Pasqua is enduring the poisoned arrows of the politico-media society. He is the man of the return to the majority ballot, who might really have driven several socialists to electoral ruin. But his bill passed virtually without argument.

He is also the man who brought about a decline in the statistics on lack of security. The left began by classifying Pasqua among the "mercenaries." Then, thanks to the death of young Malik, it tried hard to put him the camp of the assassins. All that remained was to dip him in the Crossroads development affair. But would Charles Pasqua really be crazy enough to facilitate the departure for Brazil of a Chaliel, whose sole concern is how he can unload his "revelations" in Paris before a judge? And why would the police have arrested Chaliel on his return, if he had the interior minister in his pocket?

Pasqua as target is ideal for all of Pierre Joxe's friends, who are still infiltrating the Place Beauvau and are the same people who managed to destabilize Charles Hernu.

For them, the adversary is always the same: the army, the police and the anti-terrorist services.

Are those who are so quick to reveal the "hidden face" of public men prepared to acknowledge their own service as militants? That would give true meaning to their charges against Charles Pasqua.

LE FIGARO MAGAZINE: The atmosphere is not very cheerful for the majority at the beginning of this year: it is falling in the polls, the French are gloomy. In short, we have not recovered very well from the December demonstrations. What do you think of this turnaround in public opinion?

CHARLES PASQUA: Gen de Gaulle described this problem perfectly: "Serving the nation does not proceed without agitating public opinion or losing elections." I believe the biggest mistake we could make would be to constantly consult the

polls and try to follow their changes. No one governs to satisfy immediate pleasure or caprice. If we chase after being liked by the French people or, more serious, by our political opponents, then we are committing the irreparable. Governing is different. You have to do it, on the one hand, in terms of what you believe conforms to the national interest, and, on the other hand, in terms of commitments made to the electoral body.

I hear it said here and there that the most intelligent attitude would be not to honor our program. These bits of advice come most often from those who preceded us in the government. That's a curious conception of democracy and public service. For us Gaullists it's different. When we present ourselves to the voters, we suggest measures that we believe to be indispensable and urgent if the country is to be restored. Once elected, we implement those measures and we take control of them, no matter how unpopular they may be. It is unusual, by the way, for national recovery measures to be popular.

The truth is, the French society is now going through a profound change. On the one hand, thanks to privatizations, popular capitalism is appearing and is successful in our country. On the other hand, there still is the existence of corporate privileges, instances of feudalism that stifle the meaning of public service and the state more than they serve them. The government is fighting them, though sometimes imperfectly, so that France will again become strong and respected. Several months from now all of this will be clear and so we must go on with our job.

[Question] But hasn't the government retreated on the citizenship code and on immigration?

[Answer] No. The decision was made to undertake consultations with the different countries of the European community to arrive at bringing harmony to our immigration policy and, on the other hand, to develop a dialogue with the moral authorities whose opinion will be one of the elements of decision-making. We don't need to abandon the idea of changing the rules for acquiring French citizenship. We no longer have to force anyone to become French. That step must be a voluntary act. As for clandestine immigration, we are always opposed to that, especially when it may allow the intrusion into our land of disturbing elements. In the future there will be as many expulsions of clandestine immigrants who are here illegally as the law requires. Naturally they will also be aimed at those who, having settled here illegally, violate our laws or use our soil as a point of departure for terrorist actions or conspiracies against states that are our friends.

[Question] On economic recovery, do you believe in success?

[Answer] Well, the measures taken since we came to power have already yielded results! We have watched more than \$10 billion flow into the French coffers as a result of the monetary readjustment carried out after 16 March. Why? Because the foreigner has demonstrated his confidence in our economic policy as conducted by Edouard Balladur, which is completely coherent; at the same time that we were preoccupying ourselves with employment of youths, that we were launching privatizations (the popular success of which is indisputable and which, by the way, irritates the entire left), we were defending a rigorous policy of economizing on the state's way of life. All that in 10 months! Now, that's a feat! Not to mention our efforts and results in fighting the lack of security that is still one of the French people's basic concerns.

[Question] Exactly what are your results in that area?

[Answer] In 1 year crime, both petty and major, has decreased. It is enough to look at the figures I am delivering to you exclusively, which are the best since 1974. The measures we took are bearing fruit: for the first time in 10 years, crime has declined 8 percent throughout the national territory, whereas it climbed 18 percent in 1981-1982. These results are encouraging, but they represent work over a very long term. It will still take a lot of time and effort. I know that we must not give up. For this reason I would hope that, in this area as in the difficult fight against international terrorism, rather than yield to facile polemics we will support the police, the gendarmerie and all of our services in their efforts.

[Question] In short, you are very optimistic?

[Answer] Optimistic, but not complacent. When we are judged, people will conclude that we decreed a new military program law, created 870,000 jobs or training courses and restored the majority ballot that is one of the pillars of the Fifth Republic. All that while conducting a policy of thrift. Maybe the French see only the foam that hides the waves? It is true that we lived through the student demonstrations and unfortunately the death of one young man, that we have experienced very long strikes, but don't ask me to believe that all that agitation was innocent. Many of those who took part in these movements were persuaded, I'm sure, that they were participating in spontaneous protests.

#### Ill-Conceived Measures

[Question] That wasn't the case?

[Answer] No, of course not. We knew very well, at the Interior Ministry, that there were a number of agitators and troublemakers behind all these movements. Some of them for political reasons: they were quickly recognized because these days they show themselves at partisan congresses. Others in order to destabilize, because they belong to far-left movements determined to turn high-school and university students against the government. One of the serious effects of all this agitation that has been taken over by the Trotskyites is that it has weakened our country.

[Question] Even so, many were troubled by a series of ill-conceived or poorly-explained measures.

[Answer] There is a twofold problem: maybe we should have spread the measures out over time and undoubtedly they should have been explained better. But how can we explain our plans when we have to deal with a leftist press that distorts, misinforms and brainwashes, and when the socialists are in control of certain television networks? Since 1981 a number of journalists and communications officials have been put in place, certainly not because of their professional qualifications but rather because of their partisan membership, either in the PS or the PCF. We should have done what the socialists did in 1981 and passed a law and changed the presidents of the television networks. Not at all because they had fallen from grace, but simply because television (you saw it during the election campaign) proved to be--for good reason--incapable of providing objective information. That was bound to continue.

[Question] You have just won a lawsuit against Michel Polac. What is the reaction of Charles Pasqua as a viewer of that broadcast?

[Answer] I'll be honest with you, I don't watch it very often. I must have seen two or three "Right to Respond" programs. Most of the time they are in bad taste and very partisan. Some people claim this broadcast is indispensable because it allows the expression of irritation and discontent, a kind of release. That would be acceptable if this mission of release weren't constantly being fulfilled by most of the other broadcasts! The question is not whether the left can express itself on television today, but how the government can explain its policy on television.

[Question] You will be accused of wanting to manage information.

[Answer] We are a long way from running a risk like that! And that isn't my intention. I'm certainly not asking them to hire RPR or UDT members on television. I'm simply asking them to employ journalists who put their concern for impartiality and their professional conscience ahead of their political commitment. Such journalists do exist. They are often "in the closet." All right, let's open the closets! Let's stop politicizing the news! That's all I ask! I have nothing against a socialist journalist because he's a socialist. I know about objectives. What disturbs me as a citizen is when a journalist transforms himself into a militant and gives himself over to a brainwashing job. Unfortunately, it happens frequently. Many think as I do, but few say so. No doubt they are afraid of journalistic solidarity. A government doesn't need to have television at its disposal. That would be a mistake. What we might hope for is that television would be impartial and above all that it would distinguish facts from commentary. You know what Beaumarchais said about that.

[Question] Let's talk a little about cohabitation. Voices are being raised all the way up to your ranks to disapprove of it "a posteriori." What do you think of it?

[Answer] How could we say to the French people who elected us on the evening of 16 March, thanks for your votes and now you're on your own! The question isn't whether we like cohabitation or we don't. We could all answer that we don't like it. The problem is that it is mandatory because the constitution imposes it on us. We might dream! Dream that Mr Mitterrand, having suffered a bitter failure on 16 March 1986, removes himself from the scene and presents himself for the vote of the French people. This is our conception of respect for the will of the people. But no one could force the president of the Republic. He decided to stay on and accommodate himself to a different majority. He certainly didn't do it without malice or ulterior motive. He would have preferred a different majority and we would have preferred a different president! The choice was a simple one: either the constitution or the coup d'etat! Even so, no one is going to blame us for preferring democracy. Be that as it may, France is being governed today, and in spite of his petty annoyances the president of the Republic is not compromising anything that is fundamental to our recovery policy. If some people aren't good sailors and if the least wavelet makes them sick, they can always put their sea bags on the land. No one is stopping anyone from leaving.

[Question] What is your opinion on the Constitutional Council's decision on Philippe Seguin's amendment?

[Answer] The presidents of both assemblies are expressing themselves early this week and for my part I don't have to get into that polemic. Moreover, I note that the Constitutional Council approved the majority ballot law that I prepared and that the president of the Republic refused to sign when it was practically a law. The thing I regret is that they are politicizing the debate on institutions more and more, and that the Constitutional Council itself now looks like a political assembly in which there is a majority and an opposition. That doesn't correspond to the idea I had of a council of wise men.

[Question] Last week a plastic bomb was planted at the apartment of a member of your family in Corsica. What is your reaction?

[Answer] That terrorists, Corsicans or others, attack, as they attacked members of my family, won't do anything to change the policy we have undertaken one iota. They can only strengthen my conviction. As far as international terrorism is concerned, it's a matter of a secret fight and all of our services are being vigilant. As far as Corsica is concerned, we know there are more and more interpenetrations between the FLNC and big crime. The separatist demands are politically stupid. I don't see any drawback to having some people militating peacefully in favor of these ideas; that's democracy. But when you commit assassination attempts you place yourself outside the law. Everything is in place to circumvent those who are compromising Corsica's future.

#### Professionals at Manipulation

[Question] In recent weeks you have been kind of a scapegoat. How do you explain that?

[Answer] Interior ministers are rarely popular. I am in charge of a difficult mission that is not always an agreeable one, the protection of the citizens. I expected difficulties. But I didn't think all the means would be concentrated on trying to tarnish my reputation, dishonor me or injure me by using behavior worthy of communists or fascists. Prominent people more illustrious than I am have been defamed in the past. Like them, I wouldn't hold a grudge. I would just remember. I am alluding, of course, to the scandalous exploitation of the Nucci-Chalier affair.

[Question] Which, within a few days, became the Pasqua-Chalier affair?

[Answer] Yes! That's a brainwashing feat! At the risk of seeming naive, I never imagined that the Nucci-Chalier affair, which has to do with a diversion of public funds, could one day emerge into a Pasqua affair. When the scandal was revealed, my initial reaction was stupefaction at such a perversion of public service and at that level; and on the other hand, sadness at the discredit brought down on our administration, especially abroad. After the diversion of funds I saw, as everyone did, the diversion of information. We now are perfectly aware of who the perpetrators were.

On the one hand they were pseudo-journalists, professionals at manipulation, who use the reputation of LE MONDE, in particular, to conduct destabilizing

operations. (Footnote 1) (The interior minister is alluding here to Messrs Edwy Plenel and Georges Marion, LE MONDE journalists. Edwy Plenel, a member of the Revolutionary Communist League, was for 2 years the editor of the newspaper BARRICADE. One of his last articles for that paper was entitled "Against the Europe of Cops and Bosses." Mr Plenel also wrote for the newspaper ROUGE until 1980, the year he went to LE MONDE, where he is now the CGT delegate. Before Georges Marion, who used to be with the CANARD ENCHAINE, went to LE MONDE, he was a member of the central committee of the Revolutionary Communist League and a candidate in Paris on the trotskyite Paris for the Workers list.) They were partially successful in undermining the DGSE, under the Fabius government during the Greenpeace affair, by not hesitating to endanger some of its agents by turning over their names. And today they are starting over again by attacking the DST, the other secret service. What goal are they pursuing? In the service of whom?

In any case, it was my duty to call on the Defense Secret Service (the law obliges me to protect that service, by the way) on what was, when all is said and done, a minor aspect of the investigation in progress, because I had a premonition that manipulators were aiming through this affair at dismantling the operation of the DST at a time when it is entirely dedicated to protecting the country's vital interests and fighting terrorism. Not surprising on the part of people who, before they took shelter under LE MONDE's prestigious ensign, were active and important militants in communist and revolutionary movements.

On the other hand, if this montage finds a certain echo in some of the press, it's because many of our colleagues, who are more partisan than journalist, will stop at nothing to fight the government, including publishing unverified allegations. It's as easy to quote LE MONDE as it is to quote the Gospel, even when it challenges the laws of common sense.

[Question] On several occasions you have denied having met with Chaliel. Why has he persisted in implicating you?

[Answer] He's a man driven into a corner and forced to invent stories. Is he being manipulated or did he mount this defense system himself as a cover-up for the affair? Some day we'll find out.

8946

CSO: 3519/84

## SAN MARINO DC-PC ALLIANCE VIEWED BY PS SECRETARY

Rome AVANTI! in Italian 3 Jan 87 p 2

[Article by Giordano Bruno Reffi, secretary of the San Marino Socialist Party]

[Text] A few months after the formation of the DC-PC government, born as an export experiment, it is yielding the results that were feared from the "historic compromise," born of improvisation and having the objective of seizing exclusive power for itself.

In view of the entire country, which has not yet comprehended the upheaval that occurred with the Communists' leaving of the past leftist majority, which saw prevail the presence of the Socialists, today in the opposition, and against which the two parties of the compromise ganged up to halt the progressive growth achieved in the past few years, this unnatural marriage of the governing parties, desired by their leaderships against the choice of their own congresses, begins to show signs of conflict and competition in search of client votes.

The transparency, honesty, and respect for the laws and rights of citizens adopted as a slogan to mask the new adventurous course established in the country, are in reality ignored and replaced by methods aimed at creating, in an atmosphere of laceration and domination, a real and true authoritarian regime. A demonstration of this is the very hard blow that the government is applying against the social security system, which was born in 1955 mainly through the will and concept of the San Marino Socialist Party, adopted as a model for its social spirit and economic resistance capability, an extraordinary conquest by the San Marino workers marked by an autonomous management, supported and controlled by the trade union organizations.

The measures that the government intends to complete at any cost have only one objective: to enable the DC and PC to possess the institution by repressing its free vitality and the popular role, to the extent of arranging appointments through two politically reliable emissaries: all this in violation of laws, democratic principles, and the very rights of the workers subjected to a factious and intimidating regime.

What is sure is that it is the determination of the two governing parties to repress and strike at the Socialists, also at the personal level.

In face of the seriousness of such attitudes, the PSS calls for maximum firmness by the citizens, the trade union organizations, and the rank and file, as well as by the governing parties themselves, perplexed and incredulous over the "historic compromise," to reject today its very bad management.

In face of this situation, the PSS has arranged to advance the party congress to March, in order to launch a renewed commitment to struggle and proposals that, opposing the current degeneration in policy, will reaffirm the value of its persistent democratic action and the positive contribution made in recent years of presence in the government for defense of the institutions and civil and social progress of the workers and the San Marino society.

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CSO: 3528/76

## BRIEFS

FGCI OFFICIAL ATTACKED--Padua--The provincial secretary of the FGCI [Young Italian Communists Federation] of Padua, Piero Ruzante, was assaulted last night at Monselice by a group of youth belonging to the Workers Autonomy. He was put in hospital for the injuries, with a prognosis of 25 days. Ruzante was at Monselice to participate in a demonstration called by the FGCI, but because of the low participation the initiative was postponed. The episode gave the Autonomists the opportunity to direct derisive remarks at the FGCI youths, to which Ruzante and the others responded. Later, they waited until the Communist youth secretary was left alone and assaulted him. Investigation is underway by DIGOS [Special Operations General Intelligence Division] to identify the attackers. The national secretary of the FGCI, Pietro Folena, said in a letter of support to Piero Ruzante: "The gang members of Autonomy are infamous, and an attack such as this cannot remain unpunished by the law." [Text] [Rome LA REPUBBLICA in Italian 25/26 Jan 87 p 6] 9920

CSO:3528/76

## PROSPECT OF EARLY ELECTIONS SEEN TAKING SHAPE

Lisbon DIARIO DE NOTICIAS in Portuguese 11 Feb 87 p 6

[Editorial: "An Open Possibility"]

[Text] Where there is smoke, there is fire. From being merely an academic hypothesis, legislative elections in 1987 have been turning little by little into a real possibility being commented and expounded on by the newspapers. At the same time, the political leaders are stirring as though everything had already been placed on the agenda. The PSD [Social Democratic Party] is discussing which names to place on the ballot. Freitas do Amaral is manifesting his availability for resuming political activity as a deputy. Ramalho Eanes is traveling through the districts in an atmosphere which can be described without exaggeration as that of a preelection campaign. The PS [Socialist Party] is continuing to say that it will return to power only through an election. Adriano Moreira is saying that he will resign as leader of the CDS [Social Democratic Center Party] if there is an election setback. In short, all the political forces, with the exception of the parties making up the APU [United People's Alliance], which are still betting on a change of government without elections, seem to have reached the conclusion that although it was elected less than 1.5 years ago, the current Parliament will soon exhaust its real possibilities.

The greatest sticklers for detail may say that all this is the result of trivial speculation by the media. We admit that there is also a dose of conjecture without the proper factual basis. But it would be naive to suppose that all of it is in the realm of imagination. And even if it were, one would have to add that--as is proven by the attitudes noted above and others popping up before us every day--the hypothesis thus conceived has become one of the main focuses of stimulation in national political life. Besides which it is a hypothesis that is perfectly justified by the circumstances.

In reality, it is not credible that the current government should be planning to remain in office through the end of this legislature without parliamentary support enabling it to exercise power in accordance with its own program and free of supervision by an Assembly of the Republic which is forcing it to compromise or subjecting it to retreats. And it is not credible because even if the financial situation were pointing to a prolonged and abundant future,

electoral growth would be hampered sooner or later by the impossibility of carrying out thoroughgoing measures. Added to this is the fact that beginning in September, the Assembly of the Republic may assume constituent powers at any moment. And as the PSD has already made known through one of its leaders who is also a member of the government, constitutional revision in the present circumstances is impossible. So the Social Democrats apparently cannot adopt an attitude that will rule out the possibility of obtaining a majority capable of negotiating, if not actually heading up, the revision being hoped for by many of the sectors supporting the PSD.

This is all the more true in that to its right, the CDS is persistently emphasizing the possibility of such a majority and hinting at its own availability for rebuilding a coalition politically attractive to the social groups mobilized by the extinct AD [Democratic Alliance]. So far, Cavaco Silva has shown himself to be more or less indifferent to that possibility. And for that matter, nothing else was to be expected as long as the PSD, by virtue of its position as the government, was enjoying increasing electoral support. But all indications are that the progress noted is beginning to scrape the limits of what is possible, with the result that it is necessary to shift strategies and turn to other methods. One method, naturally, would consist of preparing for elections by widening the base of support through negotiations with other parties, prominent figures, or sectors not a part of the PSD.

Only one detail remains to be worked out: how to provoke the president of the republic into dissolving the Assembly of the Republic. But that, too, is not a major obstacle. It is enough to wait for an upcoming confrontation with the opposition and then choose a topic which the latter, if it is to be consistent, will once again have to reject. That may cause some difficulties, but it is doubtful that they will be sufficient to make the PSD hesitate when and if it actually decides to move on to the next phase.

11798

CSO: 3542/56

## POLL ON POPULARITY OF PARTIES, PERSONALITIES, INSTITUTIONS













Lisbon EXPRESSO in Portuguese 14 Feb 87 p 3

[Text] The picture of voting intentions seems to have grown relatively stable in recent months. The variations noted do not change the basic scenario of the current trend in Portuguese voting intentions significantly: The PSD [Social Democratic Party] is in the range of 40 percent, the PS [Socialist Party] is close to the 30-percent level, and, quite far behind, the PRD [Democratic Renewal Party] is hovering at around 12 percent, while the APU [United People's Alliance] and the CDS [Social Democratic Center Party] are below 10 percent.

What we see, then, is a reasonably clear picture of the way the vote is moving. It confirms an asymmetrical bipolarization of the electoral map around the PSD and the PS, with the pole of attraction constituted by Cavaco Silva's party being clearly preponderant. Incidentally, voting shifts away from the PSD are occurring among voters for parties close to the PSD (the PS, PRD, and CDS) and in the direction of abstention (as reflected in this month's slight drop of 2.2 percent). And the gains by the PS in comparison with the 20.8 percent it had in October 1985 are being won by capturing about one-third of the voters who chose the PRD back then and attracting abstainers.

It should also be mentioned that the greatest distortion of voting intentions probably occurs in the case of the APU, whose voters, when polled, show some reluctance to state their voting intentions openly.

Voting Intentions in February 1987  
(October 1985 percentage shown in parentheses)

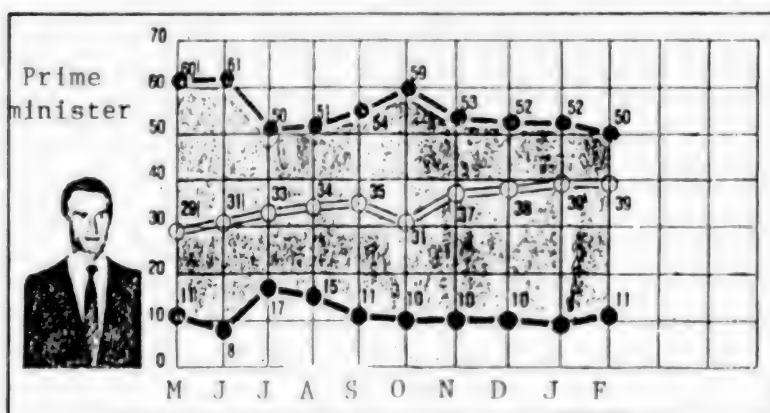
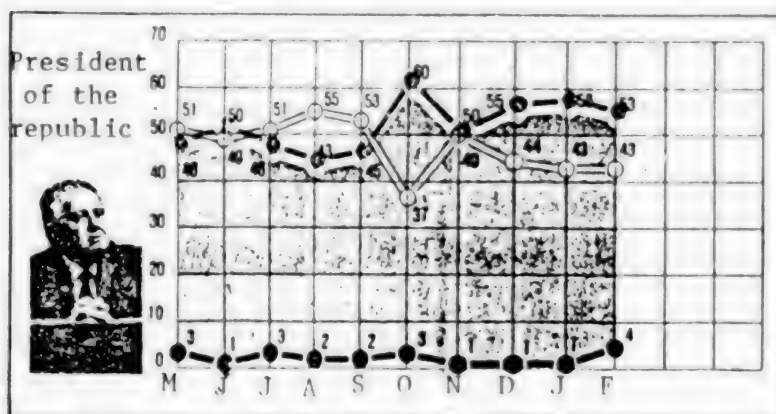
 <b>PSD</b>	<b>41.7</b>  (28.9)	 <b>PS</b>	<b>28.8</b>  (21.0)	 <b>PRD</b>	<b>11.5</b>  18.3)
 <b>APU</b>	<b>8.6</b>  (16.0)	 <b>CDS</b>	<b>5.5</b>  (9.9)	 <b>ABST.</b>	<b>19.1</b>  (26.3)

## Soares, Cavaco Drop in Polls

With his popularity practically unharmed, Mario Soares has overcome the effect of his controversial decisions to veto the Radio Law and confirm General Soares Carneiro as deputy CEMGFA [Armed Forces chief of staff]. This month's drop of 3 percent for the president is in fact minimal, considering the political controversy stirred up by those decisions of his, and does almost no harm to his high level of popularity. As was to be expected, it was among the voters for parties situated at the extremes of the party spectrum that the behavior by the president of the republic caused the most change: his popularity rose by 20 points in the CDS and dropped by 18 points in the APU, and also rose by 2 points in the PSD. And while it dropped by 10 points in the PRD, it fell by only 2 points in the PS (where there were several public expressions of displeasure). It should also be noted Mario Soares' popularity is up in rural areas (4 points) and down in urban areas (11 points).

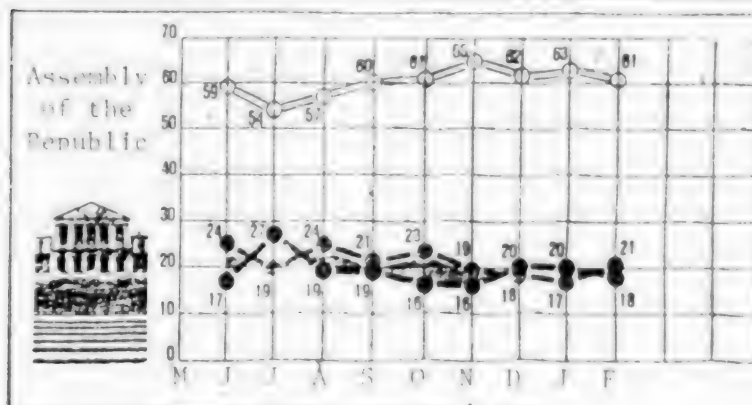
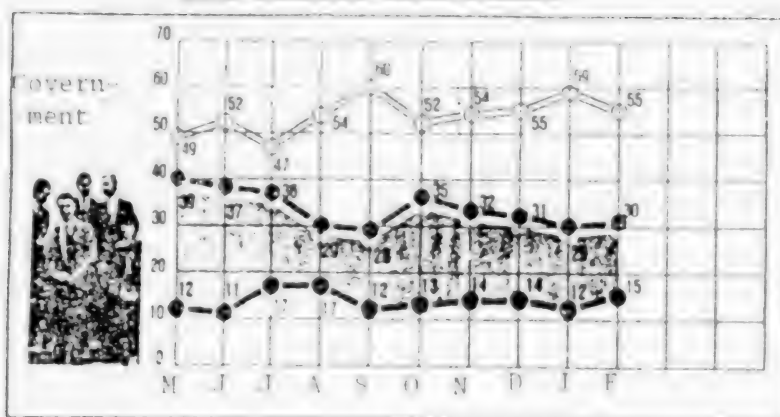
The prime minister stayed the same distance behind the president, since his popularity rating dropped by 2 points. Since that is also a minimal change, it, too, may be related to the Radio Law and the appointment of the deputy CEMGFA, considering that it is among those voting for the PRD and the APU that

### Poll Results



Very good/good (top)    
 Bad/very bad (bottom)    
 So-so    
 Favorable balance

# Poll Results (continued)



●—● Very good/ (top) good    ●—● Bad/ (bottom) very bad    ○=○ So-so    [shaded box] Favorable balance

Cavaco Silva has experienced the greatest decline in support. But a small drop in his popularity within the PSD itself—which the poll clearly shows—may be the result of the unexpected resurgence of expulsions of PSD members who supported Mario Soares' presidential campaign.

A noteworthy change is the gain of 4 points achieved by the Assembly of the Republic following several months of deterioration in its image. Parliament probably benefited from its debate on a number of issues having an impact on public opinion, namely hospital management, the interpellation concerning defense, and the Radio Law itself. It was among PS and PRD voters that the Assembly of the Republic substantially improved its image.

The government is up by 1 point, but at the same time, its negative image in public opinion has risen from 12 to 15 percent. This sharper division among respondents concerning the conduct of the government (disregarding the undecided and those saying it was "so-so") is probably due to problems which some ministers have had to face publicly: the university strikes, the situation in the hospitals, the issues of defense, and, especially, the arms traffic to Iran and to the Contras in Nicaragua.

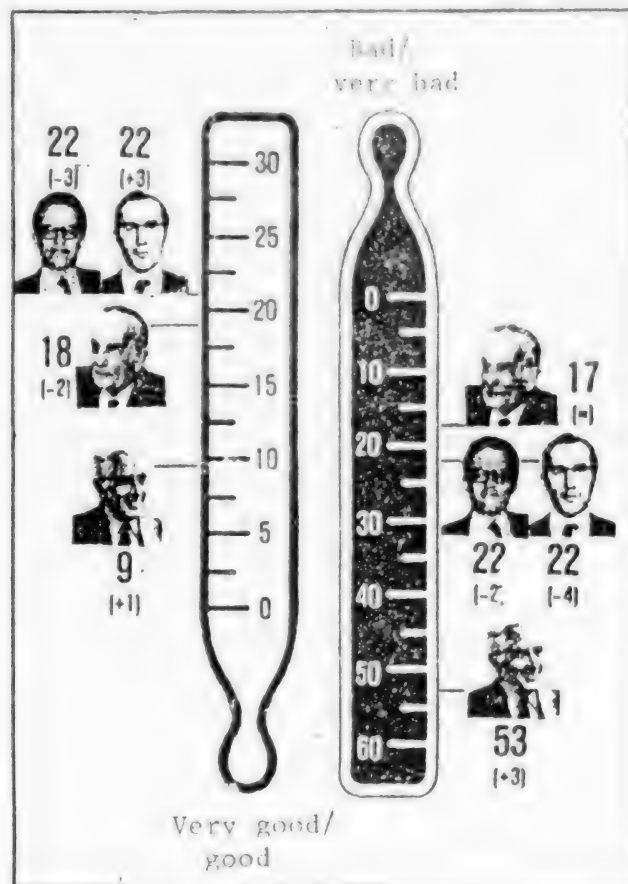
## Constancio, Eanes Neck to Neck

Confirming that their images are still blurred in the eyes of the voters, both Vitor Constancio and Ramalho Eanes are continuing to show marked monthly variations in their popularity ratings.

Since both became leaders of their parties recently, their attitudes have been provoking different reactions in the various groups of voters. Vitor Constancio is down by 3 points this month because of a negative reaction by voters in the leftwing parties (down 9 points in the PS and the PRD and 10 points in the APU), whereas Ramalho Eanes has gained considerably in the PRD (6 points) and the APU (7 points). As a matter of fact, the former president continues to find his most solid support in the APU (38 percent, compared to 35 percent in the PRD).

It is interesting to note that Constancio and Eanes currently have exactly the same percentages in popularity (22-56-22), with the leader of the PS trailing his party by quite a few points in people's voting intentions and the leader of the PRD having almost twice the percentage recorded for his party.

### Popularity of Leaders



Adriano Moreira is maintaining an intermediate position at close to 20 percent, and his decline of 2 points is the result of a considerable drop among PRD voters, although that drop is offset by a strengthening of favorable opinion within the CDS.

Alvaro Cunhal, with half the support shown for the CDS leader, is up by 1 point. Most of his support continues to come from the APU's electoral bloc.

Comparing the scale of favorable opinions with the "thermometer" of negative opinions, we see that Alvaro Cunhal's unfavorable position is even more conspicuous when viewed alongside that of the other party leaders. The secretary general of the PCP arouses the antipathy of over 50 percent of the voters, whereas the figures for the other leaders are less than half that.

Adriano Moreira even manages to do better than Vitor Constancio and Ramalho Eanes, thus strengthening the idea that the Christian Democratic leader has an uncontroversial image among the voters--an image characterized by the fact that a large number (65 percent) have an undefined or neutral opinion of him.

11798

CSO: 3542/58

## POLITICIANS SAY WHICH COLUMNISTS THEY PREFER TO READ

Lisbon O JORNAL in Portuguese 20-26 Feb 87 p 12

[Article by Fernanda Mestrinho; first paragraph is O JORNAL introduction; slantlines indicate italics]

[Excerpts] "Have the newspapers arrived yet?" That is what Mario Soares is asking in his presidential office. And at the same moment, Cavaco Silva is attentively reading Eduardo Prado Coelho, while Vitor Constancio is reflecting on what Abelaira has written.

What do the politicians think of political columnists? The party leaders, who are usually the targets of their articles and criticisms, rebel more against "political reporters" than against commentators. Let us see, for the first time, what they think of them and which ones they prefer to read.

The first conclusion to be drawn from our "poll" of the politicians is that Eduardo Prado Coelho and Augusto Abelaira on the left and Marcelo Rebelo de Sousa on the right head the preferred reading lists of the party leaders. They are followed by Jose Antonio Saraiva and Piteira Santos, while the editorial in DIARIO DE NOTICIAS is compulsory reading.

Over and above that, all the politicians criticize the involvement of the "analysts," some more than others, in party life and the desire many of them have to come to power.

So while Augusto Abelaira is read with respect, even by those who do not agree with him, Marcelo Rebelo de Sousa is /feared/--his writings irritate and cause doubts even when they flatter. Nobody misses his articles, especially since he was the "teacher" of political analysis in Portugal. Lastly, Eduardo Prado Coelho is in the good graces of the Left and the Right.

The president of the republic reads the weekly newspapers, paying special attention to the editorials in DIARIO DE NOTICIAS and--like the others--to the columnists we have mentioned. Hotheaded, Mario Soares reacts, comments, and then moves on. To his right, Marcelo Rebelo de Sousa merits his attention, but he feels that there is too much maliciousness in his writings.

Cavaco: From A to Z

In his office, the prime minister, Professor Cavaco Silva, reads Eduardo Prado Coelho with attention and Marcelo Rebelo de Sousa with irritation. He actually smiles when the last-named columnist stresses his support and solidarity in the last three lines of his articles, and one day he told us: "He thinks we don't notice."

When he arrives in the morning, the prime minister immediately asks for the morning newspapers, and he reads DIARIO DE NOTICIAS with special care. One secretary told us that when she was working at party headquarters, DIARIO DE LISBOA was taken immediately to the "professor's" office. He is a diligent reader of Piteira Santos and of the latter's politics from A to Z.

Eanes: "Reads Everything"; Constancio: "Others Tell Him"

Many of the politicians with whom we spoke made it a point to say that they did not read political columnists very much. One exception is General Ramalho Eanes. "I read them all when I have the time," said the chairman of the PRD [Democratic Renewal Party]. Which ones? "All those in whom I recognize a concern for honesty in the analyses they make--for example, Eduardo Prado Coelho and Jose Antonio Saraiva, among others." As for Vitor Constancio, we were told that "even when he does not read them, there is always someone to tell him what the columnists said." Prado Coelho and Abelaira are his favorites.

Cunhal and Adriano Moreira: From "Nothing" to Irony

The answer we got from the secretary general of the PCP was a curt "nothing," whereas Adriano Moreira wrote 10 lines of courteous irony. He emphasized: I read the works of the political analysts with intellectual profit, but I take care not to think that everyone is a political analyst who uses that title."

11798

CSO: 3542/58

## SOCIALIST INTERNATIONAL OPPOSES ARMS SALES TO IRAN, IRAQ

Lisbon DIARIO DE NOTICIAS in Portuguese 5 Feb 87 p 9

[Text] An immediate embargo on all supplying of arms to Iran and Iraq was called for in one of the resolutions approved unanimously yesterday by the Socialist International's Permanent Committee for the Middle East.

The committee, meeting in Lisbon under the chairmanship of Hans-Juergen Wischnewsky of the SPD, approved a series of decisions and initiatives aimed at giving a new boost to the Socialist International's role in the search for an overall political solution for the region.

In Wischnewsky's opinion, the situation in the Middle East "has worsened considerably in recent months," with "the steadily increasing involvement of innocent civilians, and there is no room for optimism concerning a quick solution to the conflicts or passiveness or submission in the face of blackmail."

The committee decided to send a mission to the Middle East to try to clear the way for an international peace conference for the region. The mission will visit Israel, Syria, Jordan, Egypt, and Lebanon in September "if that is possible."

When asked about Israeli and U.S. reservations concerning participation by the Soviet Union and the PLO, Wischnewsky said the IS [Socialist International] felt that the international conference should be called "without prior conditions" and should include "all interested parties, including, obviously, the Palestine Liberation Organization."

The West German Social Democratic leader said the committee had decided "unanimously" to invite "Palestinian figures whose representativeness is accepted by both sides" involved in the Israeli-Arab conflict to attend the next meeting, which will be held in Rome in April.

"The U.S. troop concentrations along the Lebanese coast are not helping to calm the situation in the region," said Wischnewsky as he presented the conclusions reached at the meeting by the IS Committee on the Middle East.

"Recent experience proves that aircraft carriers and bombers are not the most effective means of combating terrorism," the West German Social Democratic leader added, and he reiterated the stands previously taken on that question by the IS.

Those stands include an unconditional condemnation of terrorism in all forms, repudiation of the seizing of hostages as a crime against international law and human rights, support for strengthening international cooperation against the use of force to resolve conflicts, and a demand that all the hostages be freed immediately and unconditionally.

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CSO: 3542/56

## AL-QADHDHAFI ON CANARY ISLANDS INDEPENDENCE

Madrid CAMBIO 16 in Spanish 26 Jan 87 p 56

[Interview with Mu'ammarr al-Qadhdhafi, leader of Libya by Randa Takiedine; date and place not given]

[Excerpt] The Libyan colonel wants to form one country out of the Western Sahara and the Canary Islands, which he considers to be part of the same geographic region, where Spain has no rights. These are the comments he made to Middle East expert Randa Takiedine, which are being published exclusively by CAMBIO 16.

[Question] Now that the Uxda treaty has been broken--it united Libya and Morocco in 1984 and was renounced in 1986 by King Hassan--do you plan to actively support the Polisario Front once again?

[Answer] Our position is clear: We do not want for Polisario an independent state which gathers together only a few thousand inhabitants. In fact, we are supporting the Polisario as a revolutionary movement in Arab Maghreb; this is being done independently of the relations we have with Morocco. What is important to me is to see the birth in the region of a force capable of destroying the artificial monarchic feudalism and U.S. power.

In this regard, I think it will be necessary for the Polisario and the Nationalist Party of the Canary Islands to set up a unified political party. In passing, I should like to say that this is the first time I have made such a proposal. In effect, the Western Sahara and the Canary Islands are part of the same geographic region. They should combine their efforts to defeat Spanish imperialism and to merge into a single, real state.

[Question] Does Algeria support this suggestion?

[Answer] It will be necessary for them to do so.

[Question] Would this new state be linked with Morocco?

[Answer] No, it would be an independent state. After all, the inhabitants of the Canary Islands are immigrants who came from the Sahara, and we should not forget that Spain has no right to these islands.

8143/9738

CSO: 3548/52

## CABINET, PARTY, BUREAUCRACY RESHUFFLE

## Three New Ministers Named

Istanbul MILLIYET in Turkish 18 Oct 86 pp 2,8

[Excerpt] Ankara, Special - New Ozal Cabinet

Prime Minister	Turgut Ozal
Deputy Prime Minister	Kaya Erdem
Minister of State	Kazim Oksay
Minister of State	Abdullah Tenekeci
Minister of State	Hasan Celal Guzel
Minister of State	Vehbi Dincerler
Minister of State	Ali Bozer
Minister of State	Tinaz Titiz
Minister of State	Ahmet Karaevli
Minister of Justice	Oltan Sungurlu
Minister of National Defense	Zeki Yavuzturk
Minister of Interior	Yildirim Akbulut
Minister of Finance and Customs	Kurtcebe Alptemocin
Minister of National Education, Youth and Sports	Metin Emiroglu
Minister of Foreign Affairs	Vahit Halefoglul
Minister of Public Works and Resettlement	Safa Giray
Minister of Health	Mustafa Kalemli
Minister of Communications	Veysel Atasoy
Minister of Agriculture	Husnu Dogan
Minister of Industry and Trade	Cahit Aral
Minister of Labor	Mukerrem Tascioglu
Minister of Energy	Sudi Turel
Minister of Culture and Tourism	Mesut Yilmaz

Prime Minister Turgut Ozal kept his cabinet changes to a minimum, the cabinet operation involving only six ministries. Ozal brought three new names into the government, switched jobs among three ministers and left three out of the cabinet.

Hasan Celal Guzel and Ali Bozer were appointed ministers of state and Gumushane National Deputy Oltan Sungurlu was appointed minister of justice. Justice Minister Necati Eldem and Health Minister Mehmet Aydin lost their ministry

positions, while Minister of State Mesut Yilmaz was switched to the Ministry of Tourism and Culture, and Tourism and Culture Minister Mukerrem Tascioglu to the Ministry of Labor. Minister of Labor Mustafa Kalemli moved to the Ministry of Health.

Prime Minister Ozal did not use two of the three ministry of state positions created by the recent law in this operation.

The prime minister went to Cankaya following his party's Central Executive and Administrative Council meeting and presented the cabinet changes to President Kenan Evren. Ozal, in a statement to reporters after the Evren-Ozal meeting, which began at 1020 hours and lasted until 1135, said that Central Bank President Yavuz Canevi had been appointed under secretary of the Treasury and foreign trade and that former Energy Under Secretary Ahmet Selcuk had been appointed Prime Ministry under secretary. He also said he had not yet made an appointment to the Central Bank presidency.

According to the information Ozal gave, Ali Bozer, who was appointed minister of state, will coordinate EEC affairs. Bozer will also be coordinator for matters dealing with draft laws.

Hasan Celal Guzel will take over all of the duties formerly carried out by Mesut Yilmaz, who was shifted to minister of tourism and culture. Guzel will also serve as government spokesman.

While Mesut Yilmaz's term as "crown prince" will end following these changes, Hasan Celal Guzel will become Ozal's second. Guzel, appointed minister of state for press and propaganda, has assumed an influential position in the government and the party.

Meanwhile, the two vacant ministry of state positions which Ozal did not use in the reorganization will reportedly be filled depending upon the party group situation and the results of Ozal's contacts with the independents headed by Bulend Ulusu. In answer to a question yesterday, Ozal said, "I did not fill two state ministry positions, but used only one. I will fill those, too, as necessary at another time."

#### In RESMI GAZETE

Articles pertaining to the changes in the Council of Ministers and changes in the subordination of organizations attached to ministries were published in yesterday's edition of the RESMI GAZETE.

In this connection, the State Hydraulic Affairs Directorate General was removed from the Ministry of Energy and Natural Resources and brought under the Ministry of Public Works and Resettlement, under a resolution published in the RESMI GAZETE.

[Box, p 2]

Ali Bozer, Minister of State

Born 1925 in Ankara. Graduate of the Ankara University Law Faculty; doctorate obtained in Switzerland. Later taught at the Law Faculty and served as a judge on the Human Rights Court of the Council of Europe and was a member of the Hague Council of Justice. Bozer was minister of customs and monopolies in the Ulusu government. He was elected to parliament in the 6 November 1983 elections as Ankara deputy for the now dismantled Nationalist Democracy Party. Ali Bozer speaks English and French, is married and has three children.

[Box, p 2]

Oltan Sungurlu, Minister of Justice

Born 1933 in Gumushane. A graduate of Istanbul University Law Faculty. Sungurlu worked as an independent attorney. First going into politics in 1983, Mahmut Oltan Sungurlu was elected ANAP Gumushane deputy on 6 November. Sungurlu is married and has one child. He is a member of the ANAP Central Executive and Administrative Council.

#### Profile of Hasan Celal Guzel

Istanbul MILLIYET in Turkish 18 Oct 86 pp 2,3

[Article by Yener Susoy: "New Government Star"]

[Text] Ankara - Hasan Celal Guzel, Minister of State

Born in Gaziantep in 1945. A graduate of the Economics and Finance Department of the Ankara University Political Science Faculty, Guzel has served as Prime Ministry advisor, assistant general director of the Turkish Agriculture Equipment Board, deputy under secretary of the Ministry of Interior, general secretary and acting under secretary of the State Planning Organization and Prime Ministry deputy under secretary. Brought to the Prime Ministry under secretariat after the Ozal government was formed, Guzel was elected Gaziantep deputy in the 28 September interim elections. Guzel is married, has two children and speaks English.

Hasan Celal Guzel, former advisor to Suleyman Demirel, Prime Ministry under secretary for Turgut Ozal and Gaziantep's 41-year-old freshman national deputy, talked with MILLIYET for the first time at his office as minister of state, to which he was appointed yesterday.

Having worked for years in the bureaucracy and reached the top, Guzel said, "I am still not used to politics. I liked the under secretariat. We shall see how I get along as national deputy and minister."

The new "star minister" of the cabinet who says his views are nationalist-conservative pointed out that he represents no camp and said:

"I am a member of the ANAP. My leader is Turgut Ozal. I am a nationalist, a conservative, a social democrat and a person who believes in the free market economy. Therefore, I represent no single camp, but all of them."

#### Friendship with Demirel

Guzel said that he had been an advisor to Prime Minister Suleyman Demirel in 1975 and later worked with him on the first part of the 24 January decisions. He added:

"Ekrem Ceyhan and Turgut Ozal were behind by closeness to Demirel. I still talk with Mr Demirel on various occasions."

Noting that he is not for or against anyone, the new Minister of State said the following about Mehmet Kececiler:

"Kececiler is a classmate from the Political Science Faculty. I like him a lot. Party rivals are exploiting his term as mayor from the National Salvation Party. The important thing is their work within ANAP. It is despicable to try to discredit a person because of past affiliations."

Hasan Celal Guzel said that he has been working closely with Turgut Ozal for years and added, "I will do my best to perform the duties the distinguished prime minister has assigned me. Motherland has a mission that will stretch on into the decade of the 20's."

8349

CSO: 3554/187

## TUSIAD REPORT SHOWS HOUSEHOLDS' STATUS

## Survey of 5-Year Data

Istanbul CUMHURIYET in Turkish 5 Jan 87 pp 1,8

[Summary of socioeconomic status survey sponsored by Turkish Industrialists and Businessmen's Association]

[Text] ECONOMIC SERVICE - A large segment of the people living in Turkey has been unable to make ends meet for the past 5 years. And people with mid-level incomes head the list of those fighting for economic survival. Laborers, civil servants, private sector employees, tradesmen and craftsmen, in particular, believe that the worsening situation they have experienced in the past 5 years will not change in the next 5 years, while merchants and industrialists feel that things have gotten better for them in the same period and will continue to get better in the near future.

While everyone, whether in urban or rural areas, draws a negative, pessimistic picture of his own situation, he also thinks the state should put priority on finding a solution to the unemployment problem. People want the state to give priority to matters such as agriculture and health and do not think such things as exports, communications, dams and infrastructure, where the government is allocating enormous incentives and investment, are very important.

TUSIAD [Turkish Industrialists and Businessmen's Association] has released the fourth in its "series of research on the socioeconomic priorities, household incomes, expenditures and socioeconomic needs in Turkey." The report, entitled "Socioeconomic Expectations and Change in Turkish Households," compares the present status of residents of Turkey with 5 years ago and explores their predictions for the next 5 years and their expectations from the state.

Of the heads of households who answered the question, "From the standpoint of meeting your needs, how do you see your situation as compared to 5 years ago?" in the TUSIAD survey, 54 percent answered, "My situation was better 5 years ago." Those who answered "no change" comprised 20.6 percent of respondents, and 25.3 percent of heads of households said, "My situation is better today." When these answers are examined by income levels, the picture becomes even more interesting.

People in the mid-level income group were in the front rank of those who believed that they were worse off. However, while 60.4 percent of the mid-level income group believe their situation is worse, 57.5 percent, no insignificant segment, of the highest income group gave the same answer. The "high" income group, with 29.5 percent, also had the highest rate of those who answered, "My situation has improved."

Examining the answers by occupational groups shows that the highest percentage of those who answered, "Our situation is worse," consists of laborers, civil servants, private sector employees, tradesmen and craftsmen. It is seen that the sector with the lowest number of those whose situation was worse is merchants, industrialists and independent professionals. While 50 percent-56 percent of civil servants, laborers, private sector employees and farmers said their situation was worse, 45 percent of merchants and industrialists replied that they were better off. Examination by housing type and educational level shows that these factors had no impact on economic status.

#### Those Worse Off Pessimistic for Future

When survey respondents were asked, "From the standpoint of meeting your needs, would you predict how your situation will change 5 years from now? That is, will your situation be better or worse?" 22 percent would not even speculate about the future. While 41 percent said their situation would be even worse, 11 percent said they thought it would be the same and 26 percent that it would be better.

Among those who were pessimistic about the future, the "high income" group led with 51.3 percent. In the breakdown by occupation, those who thought they were worse off than 5 years ago also were pessimistic about the future. Occupational groups which said they were better off than 5 years ago, such as merchants, industrialists and professionals, also said they were optimistic about the future.

The large majority of those living in almost every kind of housing expressed pessimism about the future. However, looking at the percentages, it is clear that rural residents are more pessimistic than the others.

The last section of the TUSIAD report asked "in which areas of need should the state give priority to investment." Of households responding in this section, 30 percent wanted first priority to go to investments to eliminate unemployment. While 15.2 percent of those surveyed wanted agriculture to get priority, those wanting priority on health services took third place with 13.2 percent.

Another point revealed here is the belief of almost every income group that unemployment is the "priority" problem. Both the lowest and the highest income groups, with a rate as high as 32.5 percent, wanted investments intended to relieve unemployment to be taken up with priority.

There were not very many who ascribed importance to exports, an area in which the government has concentrated support. Those wanting support for exports were in last place with 0.2 percent, while those desiring support for communications and industry were also in the low ranks.

In earlier TUSIAD surveys, the large majority said the greatest need was housing, while a significant segment this time said they did not think this problem would find relief through state channels. Practically everyone participating in the survey indicated health services as second in importance and wanted the state to make investments in this area. The group that wanted priority on educational investments were people with higher educations.

#### What Do Family Heads Think?

##### Status of Household Compared to 5 Years Ago (%)

Better 5 years ago	54.1
No change	20.6
Better today	25.3

##### Status of Household Compared to 5 Years Ago by Economic Level (%)

Income Group	Worse	No Change	Better
Lowest	51.5	26.5	22.0
Low	47.2	22.3	19.6
Middle	60.4	21.0	18.7
High	54.3	16.3	29.5
Highest	57.5	16.2	26.2

##### Status of Household Compared to 5 Years Ago by Occupational Group (%)

Occupational Group	Worse	No Change	Better
Civil servant	56.1	18.7	25.2
Private sector employee	56.2	11.9	31.9
Farmer	50.9	20.6	28.5
Independent professional	45.7	17.5	36.7
Laborer	53.0	25.0	22.0
Merchant, industrialist	34.7	20.3	45.0
Trades, crafts	54.9	20.2	24.8
Marginal sector	65.4	18.2	16.4

##### Projection of Economic Status of Household for 5 Years from Now (%)

Worse	41
Same	11
Better	26
Don't know	22

## Editorial on Report's Significance

Istanbul CUMHURİYET in Turkish 6 Jan 87 pp 1,10

[Editorial under "Facts Behind News" rubric: "What Surveys Show"]

[Text] TUSIAD is conducting a series of surveys and research to determine the social and economic facts. One of them was summarized in our newspaper yesterday. Unfortunately, it presented a pessimistic picture. The thrust of the TUSIAD survey was that changes in the Turkish family in the past 5 years have been for the worse.

However, it would be appropriate to say that these findings reveal precise lines and results, because in some surveys it is possible to interpret numerical results in different ways. There is not the slightest opening, however, for an optimistic interpretation in the TUSIAD survey. Of family heads, 54 percent say that their families were better off 5 years ago; 20.6 percent see no change. The rate of those who are better off is 25.3 percent. Studying the TUSIAD survey from different aspects gives the same results every time. Looking at household status by occupational group shows that most are worse off than 5 years ago. Even in the merchant-industrialist group, only 45 percent were able to say that they were better off than 5 years ago.

People today seem to be ever yearning for improvement and, even though the standard of living rises, it is difficult to be satisfied. As the standard of living rises, so do demands, but it cannot be said that things have gotten better in Turkey in the past 5 years. It is a striking indicator that while per capita national income was \$1,300 in 1980, it has regressed in the past 5 years and has sunk below \$1,000. It is known that "real wages" have not risen in 5 years in the labor and civil service sectors. Numerous statistics reveal that there has been no improvement in the standard of living for the general public. It is a fact that inflation has outstripped projections every year.

Unsuccessful administrations become accountable during elections in situations like this, and the people make the final decision.

However, Turkey is going into the 1988 elections with banned politicians, with the political parties banned and new ones replacing them, with a parliament stripped of effectiveness, with the antidemocratic laws of 12 September in force and with a television completely converted to a means of political propaganda for the administration, and these circumstances create concern and controversy over whether ballot-box results right now would reflect the will of the people.

No one can say that the 1983 elections were fully democratic and fair. Turkey is at the point where it cannot survive another "tainted" election.

It is because of this that the Ozal administration must begin normalizing the regime through democratization as soon as possible.

## MEDIOBANCA'S MEDIATING ROLE UNDER NEW LEADERSHIP

Rome L'ESPRESSO in Italian 15 Feb 87 pp 154-158

[Article by Tullio Fazzolari: "Mediobanca Mission"]

[Text] Maccanico's objective is to defend the role of the prestigious merchant bank. To this end, the presence of the private shareholders remains essential. Is this a possible undertaking? What will change in the Italian financial world?

Mediobanca, Act II, Scene 1: In the small building in Via Filodrammatici, a stone's throw from La Scala theater of Milan, the new president, Antonio Maccanico, takes his seat. He comes from Rome. Thus, from Palazzo Romano. He is a high state figure, he was secretary general of the House of Deputies and then of the Presidency of the Republic. With the arrival of Maccanico in the spring of 1987, a new era is beginning for Mediobanca.

And not only for Mediobanca. The most prestigious Italian merchant bank, although the property of IRI, has always been, thanks to the 40 years of management of Enrico Cuccia, the "showpiece" of Italian private finance. And now? Will Mediobanca continue, also under the leadership of Maccanico, to be the "sanctuary" of the Italian industrial and financial Gotha?

Certainly, the era of Maccanico will start under a different star from that of Cuccia. And if one had to attach a label to the new president of Mediobanca, it would certainly be that of "guarantor." In fact, there is an almost unanimous consensus in regard to the name of Maccanico. And many pushed and persisted in the past few weeks to get him to accept the job.

The first to step on the accelerator was Romano Prodi. The president of IRI, who through the three national interest banks (Banca Commerciale Italiana, Credito Italiano, and Banco di Roma) controls more than 56 percent of Mediobanca, wanted to unblock to some degree the confrontation between the institute and the private, minority shareholders. And the only possible course was precisely that of appointing Maccanico: that is, a president agreeable also to the private figures.

However, the private figures, with Agnelli and Pirelli in the fore, were also in a hurry to close the deal for the presidency of Mediobanca.

In their view, Maccanico has the merit of not being a manager of the state corporations and not being too compromised with the political power: someone, in short, who has the collective interest at heart, which is something different from the public interest. Yet, he much resembles the Cuccia of 40 years ago, to the extent of being the only one capable of taking over the inheritance.

In view of the range of supporters, all that remained was to convince Maccanico to move lock, stock and barrel into Via Filodrammatici. And soon, before the conflict between IRI and the private sector became incurable. To this end, other authoritative voices expressed themselves in favor of a rapid solution via the nomination of Maccanico. For example, the governor of Banca d'Italia, Carlo Azeglio Ciampi. And Francesco Cossiga himself did not hide his desire for a timely solution to the problem. Yet, from the point of view of the president of the Republic, it was not a positive factor that his principal colleague should to some degree be involved in the quarrels between public and private entities over Mediobanca. Also, with the possibility of a crisis in the government or legislature, it was not good to have in the Presidential Palace a secretary general on the threshold of departure.

The war continues. In reality, with the presidency of Mediobanca, Maccanico was handed an already primed bomb. The conflict between IRI and the private sector shows no sign of becoming less violent. Prodi does not want the merchant bank to continue to be the showpiece of the private sector. On the other side, the private shareholders do not want to lose this precious "sanctuary," which, thanks directly to Cuccia's role, has been the indispensable instrument for carrying out delicate and complex operations. The picture becomes even more problematical when one adds that behind the facade the three banks of IRI have different points of view on the function of Mediobanca, and points of view different from that of Prodi himself. Commerciale, which is more dynamic, would like Mediobanca to increasingly operate as a big merchant bank. Credito Italiano confines itself to regarding the Via Filodrammatici institution as a good investment that provides substantial dividends. And finally, Banco di Roma's prime concern is that its participation in Mediobanca retain a high value so it may be able to perhaps sell it in future and thus improve its own accounts.

And secretly, not even the private entities are motivated by the same goal. There are some, such as Pirelli, for example, who continue to see in the Cuccia bank the guarantee of the Italian financial system. Others instead cast an interested look primarily at Mediobanca's rich dowry: its portfolio includes 5.4 percent of the Generali, which is decisive in determining who controls that largest Italian insurance company. Finally, in the middle, there are some who still depend on the big name of Mediobanca and on its ability to rake in annually, through the three IRI banks, something like 6-7 trillion, along with which come into port capital increases and other financial operations. In final analysis, for all these to spend less than 240 billion (at the current stock market levels) to take away from IRI the 6 percent of Mediobanca is somewhat of a bargain. However, the figures do not add up for Prodi, who does not want to get rid of it by selling at a loss, and in fact is trying to assign to Via Filodrammatici the control of IRI that Cuccia always succeeded in avoiding.

## Tutelary Deity

Prodi makes no mystery of his intentions. He revealed his decision to condemn in advance the expiration in October 1987 of the trade union's pact with the private shareholders that had permitted the latter to be thus far "a dominant minority" able to influence 57 percent of the IRI banks. And he also showed his intention to replace Silvio Salteri, director general of Mediobanca and right arm of Cuccia, first with Pietro Rastelli and then Giuliano Graziosi, both IRI men.

Against these threats, the private figures obtained a president who, it is true, was chosen from the IRI, but is more in harmony with them and is somewhat their protector. It is their wish that Maccanico, rather than reshaping Mediobanca, should become the tutelary deity of the old showpiece. An approach that on Friday, 30 January, Cuccia argued in a meeting with Prime Minister Bettino Craxi by reproposing in practice the plan for the private entities to buy 6 percent of Mediobanca. With one single innovation: that to the aspirant buyers Pirelli, Lazard Freres and Berliner Handelsbank be added the names of Carlo De Benedetti, Salvatore Ligresti (though he denies this name) and Silvio Berlusconi.

Between public dictates and private initiatives, the seat of Mediobanca president already appears livened up by Maccanico. On him will weigh the greater responsibilities awaiting the new director general. That is, pending the next meeting in June. In the meanwhile, Maccanico already has in mind his own role: to make Mediobanca a merchant bank that will belong neither to the public nor to the private entities, but be the meeting point between them. And this role requires a man like him: a great diplomat, a clever organizer. In short, a mediator.

In so many years in the House and the Presidential Palace, he has demonstrated that he knows how to maintain contacts in all directions. A student at the Pisa Normal School, he was an "Azionista," then a Communist until the Soviet invasion of Hungary, then a Republican (though it would be more accurate to say La Malfa supporter), and he is still friends with all the former comrades of the faith. He knows how to sacrifice for the cause, as when he assumed the responsibility for the pardon of terrorist Fiora Pirri Ardizzone. And also how to play an important role without taking too much credit, as during the government crisis of 1985.

He knows how to work with perseverance and in the shadow, like his house neighbor at the sea at Ansedonia, the under secretary to the prime minister, Giuliano Amato. In everyone's eyes, he has the patient character necessary to stitch together intricate and frayed situations. In short, whatever is needed to lead Mediobanca out of the storm.

[Box, p 157]

T.M.: "IRI?: Decisive Factor," a talk with Emilio Rubbi.

According to the DC, how is it right that the battle currently underway for control of Mediobanca should end, yet this control not be resolved with the arrival of Maccanico? We put this question to Senator Emilio Rubbi, in charge

of the party's economic department.

[Question] What should be the future set-up of Mediobanca?

[Answer] "Certainly there is the problem of a broadening of private shareholding, and it is not necessary that the three IRI banks retain a majority in the institution. Yet it is necessary that they have a role that is not subordinate, that they continue to have a decision role. One can be in majority without command, and vice versa. Furthermore, it would be good if the relationship among the partners was not regulated by specific conditions."

[Question] And how can one guarantee Mediobanca's independence from the political parties?

[Answer] "Defense of the autonomy is entrusted to the individuals. Maccanico has the necessary qualities, and his installation certainly brings closer a positive solution for Mediobanca."

[Question] Why, in your view, did the three national interest banks (Credito Italiano, Banca Commerciale and Banco di Roma), majority shareholders in Mediobanca, decide to break the pact that ties them to the private shareholders?

[Answer] "The fact that Mediobanca is no longer the only merchant bank in Italy, and that Cuccia, who had been directing it thus far, has reached a certain age, requires a reconsideration of the situation, and at the same time a review from scratch."

[Question] There is also a problem of relations between the banks and IRI.

[Answer] "Prodi conducted himself correctly. The three banks should have (and do have) full management autonomy, but the IRI should have a say in the formulation of Mediobanca's set-up."

[Box, p 157]

T.M.: "IRI?: It Has Nothing To Do with It," a talk with Napoleone Colajanni.

What do the Communists think about the issue of the Milan merchant bank? To find out, we asked Senator Napoleone Colajanni.

[Question] Maccanico's arrival comes after the decision of the three IRI banks to break the pact with the private partners. What do you think about that?

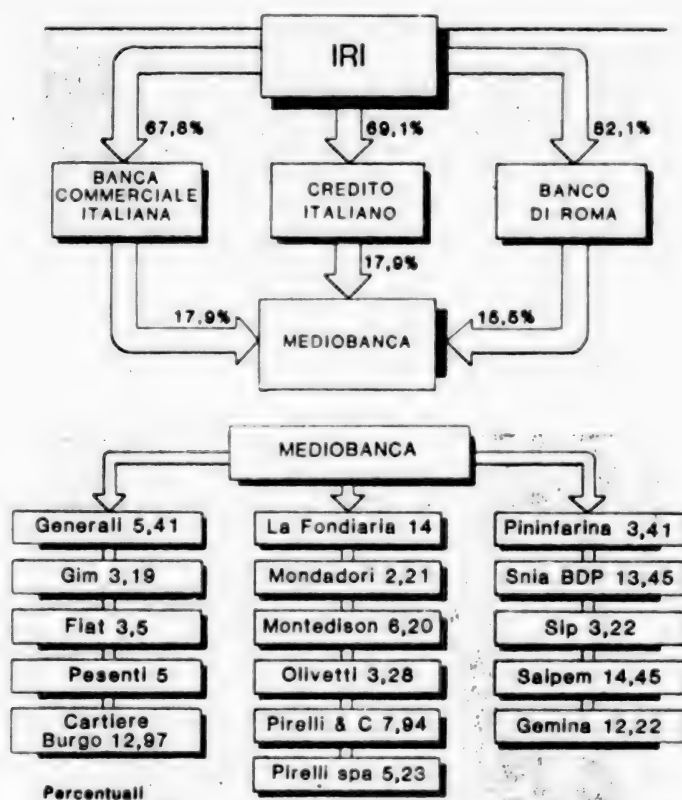
[Answer] "Enrico Cuccia invented that agreement, which gives the private sector a power disproportionate to its shareholding strength, in order to protect the autonomy of Mediobanca from some power groups linked to the DC. And in my view he did well. However, now that, also for vital data reasons, Cuccia's exit from the scene is shaping up (Cuccia, who guaranteed a trustee management of the institution), the decision of the three banks appears inevitable to me. Naturally, there remains the problem of keeping Mediobanca from ending up in the hands of the parties."

[Question] Yet should the three banks keep the majority block in Mediobanca?

[Answer] "It would be preferable, but it is not necessary. The important thing is to broaden the participation of the private sector, and find managers for Mediobanca who will provide sure guarantees, such as its new president. I believe that Maccanico's arrival at Via Filodrammatici will facilitate the search for a final set-up for Mediobanca."

#### From Prodi to Pirelli

Through the three national interest banks, IRI controls almost 57 percent of Mediobanca. And the latter, in turn, as the graphic shows, has large shares in many companies, prominent among them Generali, Pirelli, Montedison and Fondiaria.



## RECORD NUMBER OF NEW FIRMS FORMED IN 1986

Rome L'ESPRESSO in Italian 25 Jan 87 pp 154-157

[Article by Tullio Fazzolari: "Entrepreneur Profession; the Italian Boom"]

[Text] Last year, about 350,000 new enterprises were born in Italy: a European record. From Turin to Forli, from Padua to Cagliari, we present the map, the characteristics and the prospects of a phenomenon without precedents.

First in Europe. The Italians win over the Germans, French and English in spirit of initiative. And more than the other Europeans, they search out the vocation of entrepreneur. They are less and less satisfied with the routine of an employee job with a certain amount of assured salary. They prefer to rely on themselves, while accepting the risk of a slightly more daring life. From the individual establishing a factory to the one opening an advertising agency, the new entrepreneurs are becoming almost an army.

The figures leave no doubt. In 1986, according to the latest estimates, about 350,000 Italians were drawn by the fascination of private initiative. And this seems to be far from a passing fancy. On the contrary, the desire to operate as entrepreneur appears henceforth a constant and consistent phenomenon in the economy of our country. The boom of 1986 was not entirely unexpected. Already in 1985 more than 300,000 new enterprises had been established, exactly double the 150,000 that closed their doors and shut down. To give some idea: the solid and wealthy Germany tallied during the same period 340,000 new initiatives, but also a large debit of 318,000 closings.

And now, we have passed them. The latest figures that Cerved, the Chamber of Commerce study center, has just finished producing estimate that in the first 6 months of 1986, in 84 of the 95 Italian provinces, at least 173,598 enterprises were established. These are enough and surplus to cover the gaps of the barely 64,000 that ceased operation. According to the figures on hand, the net increase is about 90,000 enterprises. At this point, it appears within reach to achieve a figure of 350,000 (or a net increase of 160,000 to 170,000 enterprises) in the final balance-sheet for 1986. However, above all, what matters more is that the new entrepreneurs' will to achieve demonstrates the vitality of the Italian system. The proof is not only the big businessmen going to buy companies throughout Europe, the Agnellis, De Benedettis, Gardinis, and Berlusconis. Beneath them, there is a myriad of new enterprises. To find something like it, we need to look across the ocean.

According to American economist John Naisbitt, "Italy is the country most like the United States in the sense that the entrepreneur is becoming the new hero of the society. Therefore, I believe that Italy is in a very good situation in respect to the other European countries."

The forecasts assume outright triumphal tones. The goal of 4 million enterprises appears an established fact for 1990. And the Italians, in addition to being healthy and traveling, are becoming a people of entrepreneurs. But in what way? Who are they, the more than 300,000 who now with annual regularity choose free initiative, and where do they work? Here is an explanatory map that L'ESPRESSO has tried to draw using the latest figures published by Cerved.

#### Capitals and District Centers

Turin: 9,036 new enterprises and 4,510 closed. Genoa: 3,704 and 1,619. And especially Milan: 8,550 enterprises started in the first 6 months of 1986, compared to 1,688 shut down. The three old capitals of what was the "industrial triangle" still reign, and despite the crisis of the last few years are at the head of the new boom. In particular, Genoa, even though still in a struggle over the port issue, gives a demonstration of vitality: the birthrate is 6.13 percent, that is, more than six new enterprises are being born per hundred already existing, a figure lower only than the 6.83 of Milan and the 6.42 of Florence.

However, the new entrepreneurs population has strongholds almost everywhere. For example, in Treviso and Padua, where in the first 6 months of 1986 respectively 3,168 and 3,536 new enterprises were established. Or in Forli, with 3,194, and Modena, with 2,780. However (as the chart published in these pages shows), the new entrepreneurs are also emerging in the South or in the islands. There is a significant result in Cagliari, which, with 2,269 new enterprises, boasts a birthrate of 5.96 percent, in line with that of the most wealthy provinces of the North. But just as important is the so-called "Adriatic Pole." New initiatives are proliferating along the entire eastern coast: from the 1,247 in Teramo to the 1,943 at Foggia, 3,831 in Bari, to the 2,155 in Lecce. And in the South, which is discovering entrepreneurship, Salerno also stands out, with 3,165 new enterprises. The pity is that the rest of the South is not marching at the same pace. Trapani wears the emblem of the rear with a birthrate of barely 0.79 percent and only 279 new enterprises. Molise (1,013), Basilicata (2,190), and Calabria (4,467 starts in all three provinces) are not doing much better.

#### Fewer Shops and More Brickwork

What sectors are attracting more new entrepreneurs? The figures for the first half of 1986 developed by Cerved confirm interesting trends in two of the sectors traditionally most crowded with new initiatives. Opening a shop is always the most frequent aspiration of the very small entrepreneur, but this is no longer as widespread as in the past. The birthrate of new enterprises in the retail business sector is about 3.4 percent, compared to an average growth in the whole sector of 5.3 percent. Food, clothing, and similar shops are increasing by about 20,000. Leading the expansion are Turin (1,090 new public shops) and Bari (799). However, the statistics on retail trade

(without wholesalers and middlemen) also show about 12,000 terminations for the smallest individual enterprises, which are converting to partnerships and thus paying less personal income tax to the treasury.

On the other hand, construction is enjoying better health. The growth is about 5.5 percent, which means about 20,000 new enterprises. The most significant booms: in Turin with 1,056 new initiatives, Bergamo (914), Salerno (482), and Potenza (451). And in regard to trade, the losses are more tolerable: only 8,000 enterprises closing.

#### From Computers to "Made in Italy"

The new entrepreneurs do not disdain factories, particularly small ones. And in particular, if they are operating in sectors with good prospects. From shoes to clothing, "Made in Italy" continues to attract. The strongpoints are in Florence, Treviso, and Ascoli Piceno, but even Potenza and Teramo look respectable with 71 new enterprises each.

However, the avant garde of the new entrepreneurs choose electronics, electrical technology and precision engineering. With about 2,000 enterprises established and less than 600 closed, the growth is about 8 percent. And those who have chosen this sector seem enthusiastic. Paolo Colonna, a 38-year-old engineer, after having worked for McKinsey and, without satisfaction "because of the too many outside constraints," at Insider, went into business on his own: in Turin he produces cases for electronic calculators and in a short time achieved a turnover of 11 billion.

#### Entrepreneurs in Services

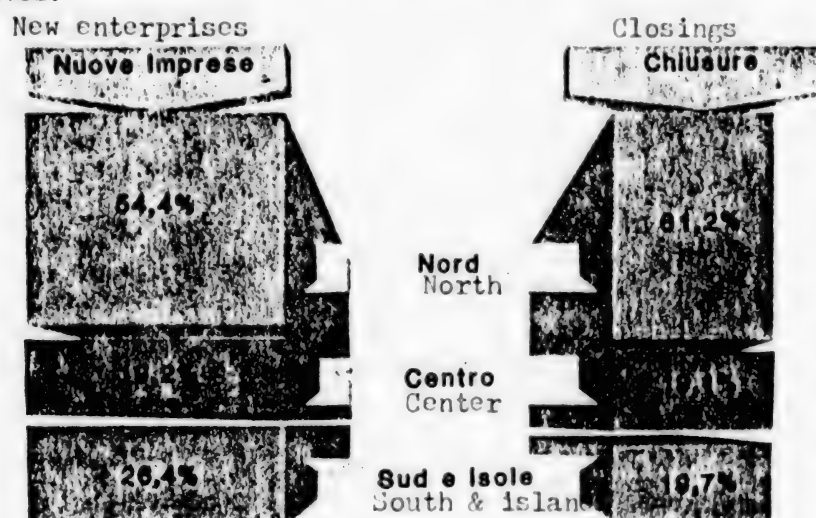
From holding companies to consulting companies, from middlemen to advertisers, they are springing up like mushrooms. Milan dominates with 1,663 new starts. However, the advanced third sector is spreading in some 50 Italian provinces, of which half are southern. This is true for Bari, with 305 new entrepreneurs in this sector, and Salerno with 148. And from North to South it is the field that has the most attraction for the neophytes in private initiative.

To embrace this faith, many have cast off their old jacket. Paolo Bartocci at 43 left his position as director of the Industrial Federation of Umbria, and founded IGEA. A turnover of a little more than 1 billion, with six employees, and 400 million in investments. In practice, "he sells" factory training courses. However, instead of doing so from an industrial association, he preferred the free market, "also because it meant that he could leave the too narrow confines of Umbria."

A similar choice was made by Gianantonio Garzilli in leaving SIP, where he was involved in marketing, and going to establish Fastel in Naples. He designs complete telecommunications systems for establishments. The sector is the same, but as a private businessman "there is greater flexibility, and, above all, the opportunity to see the results of one's work quickly." And this prospect motivated Ombretta and Rossella Bonomi to establish Agenzia Uno in Turin, which uses modern technologies with computers, and so on, to organize congresses.

# From North to South

The North accounted for more than half of the new enterprises born in the first half of 1986, but also 61.2 percent of those that shut down. Vice versa, the South had only 19.7 of the total closings compared to 26.4 of the new initiatives.



The Enterprises Register

	<u>Enrolled</u>	<u>Canceled</u>
Agriculture	2,703	1,030
Energy, gas and water	88	28
Extractive industry and chemicals	2,191	750
Metal-working industry, precision engineering	12,214	4,205
Food industry, textiles, other manufacturing	24,421	9,526
Building	24,322	8,479
Trade and other public activities	63,476	27,501
Transport and communications	6,190	3,537
Credit, insurance, services to companies	13,052	3,734
Public and private services	12,455	4,124
Nonclassified enterprises	<u>12,486</u>	<u>1,194</u>
Total	173,598	64,108

Trade maintains a prominent place also among the new entrepreneurial initiatives. However, the growth of other sectors (services to enterprises, precision engine ring) showed itself rather more significant in the first 6 months of 1986 (the Cerved data covers 84 provinces out of 95).

### All of Italy, Province by Province

The boom growth of new enterprises in the first 6 months of 1986 occurred to a degree in all regions (including Calabria and Trentino Alto Adige). However, the phenomenon, as the map shows, has assumed various proportions from province to province.



And the desire to operate as entrepreneur is now so widespread that there are also entrepreneurs who help others to become so. This is the case with Merger and Acquisitions established in Milan by Enrico and Francesco Minoli. For example, they are arranging the purchase of a company by its managers, the so-called management buy-out. Or all the buying and selling operations of an enterprise. "And the demand for these services," explained Francesco Minoli, "is proving greater than expectations." An obvious sign that the occupation of entrepreneur is not experiencing a crisis.

9920

CSO: 3528/90

## ISTAT CITES INCREASING GAP BETWEEN NORTH, SOUTH

Rome LA REPUBBLICA in Italian 17 Jan 87 p 5

[Article by Giampiero Martinotti: "Italy Split in Two, Balanced Precariously Between Alps and Pyramids"; first paragraph is LA REPUBBLICA introduction]

[Text] According to ISTAT [Central Statistics Institute], the gap between North and South is still growing. There is a discrepancy of 30 percent between North and South in respect to average expenditure per household. The share of income destined for leisure time is increasing. The population of the cities is declining.

ROME--Italy remains a country divided between North and South, between rich and poor, perennially and precariously balanced between the Alps and the Pyramids. Further confirmation (if such were still necessary) is to be found in the "1986 Statistical Yearbook"--published by ISTAT--that meticulously summarizes the data pertaining to the first half of the 1980's. If the data relative to the Center-North and those relative to the South could be looked at separately, one would be tempted to think in terms of two different countries: one a rich country that spends a great deal on recreation and culture, has a significant but not dramatic employment problem, and is increasingly less inclined to bring children into the world; and one a poorer country where consumption is 30 percent below that of the other, unemployment is at dramatic levels, and the birth rate is rising.

The ISTAT publication presents a picture that is certainly already well known, but the mass of data contained in the over 700 pages also includes some new facts and a few curious items of information.

1. Population growth: Marriages and births continue to decrease. In 1985, marriages decreased by 0.7 percent to 295,990; births, by 1.8 percent to 575,495. The birth rate exceeded the death rate by only 0.6 per thousand, but this national average conceals a distinct gap: whereas in the South the natural balance of the population is still positive (+5 per thousand), in the Center-North it is negative (-2.1 per thousand). According to the ISTAT projections, the population is destined to decline; the watershed year will be the year 2001, at which time there will be a net decrease. In 2021 there will be only 52.95 million Italians, compared to 57.2 million in 1985.

One important phenomenon in connection with demographic trends should be underscored: between 1981 and 1985 the population of municipalities of over 100,000 declined at a rate of six per thousand, whereas the population of municipalities under 100,000 increased at the same rate of six per thousand--a phenomenon that is occurring in other countries as well.

2. Consumption: Here the gulf between Center-North and South is very evident. Average monthly expenditure by an Italian household is in excess of 1.65 million lire, but the geographical distribution reveals a disturbing disparity: whereas spending per household in the North is in excess of 1.8 million lire and in the Center 1.7 million, it declines sharply in the South to 1.398 million, leaving a gap of 30 percent between it and the North. This disparity rises to 52.1 percent if one looks instead at average outlay per household member, which comes to 640,158 lire in the North and 421,023 lire in the South. Spending on food represents only 25 percent of total consumption in northern Italy, whereas in the South this proportion rises to 33.3 percent.

3. Employment: In this area we are dealing with well-publicized data. The national unemployment rate is 10.6 percent (1985 figures), but it drops to 8.1 percent in the Center-North and rises to 14.7 percent in the South. The South has the unhappy distinction of being first in respect to unemployment among youth and among women; moreover, in the South the labor force represents only 33.4 percent of the population compared to 43.3 percent in the North.

4. Education: The school population declined in the first half of the 1980's by 628,000, or 5 percent. This decline relates basically to nursery school, elementary school, and lower intermediate school but has occurred almost entirely in the North, because of the decline in births. In the South the problem of classroom and teacher shortages remains unsolved, together with other ills such as illiteracy--a problem that in the South afflicts 7.9 percent of the population.

5. Leisure time: Italians are steadily increasing their spending in this area, both in cultural activities and in mere entertainment. According to data that remained constant through 1984, increased activity on the part of publishing houses was reflected in an increase in first editions (although the overall number of copies printed is decreasing because of fewer reprints). This encouraging fact is accompanied by increased attendance at theater auditoriums and concert halls. Attendance at the legitimate theater and the opera is increasing, and classical music concerts are attracting larger audiences than in the past. Revues and pop music concerts are losing market share. Attendance at motion picture theaters (which in 4 years declined by almost 3,000) has literally collapsed. There is an increase in attendance at sports events, and also in the number of hours of television programming (although the ISTAT data cover only "Mama RAI" [Italian Radio Broadcasting and Television Company]). There is one amusing statistic in connection with television: based on the ISTAT data, there is an inversely proportional relationship between the number of births and the number of TV subscriptions. Liguria, for example, has the smallest number of births and the highest number of subscriptions, whereas Campania--the record-holder in respect to number of births--has the smallest number of subscribers.

6. Health: Health care expenditure continues to increase at a dizzying pace (to 40 trillion lire in 1985), but by way of compensation there has been a striking decrease in the incidence of infectious diseases, ranging from infectious hepatitis (-36.1 percent) to blennorrhea (-24.2 percent); from rubella (-22.4 percent) to chicken pox (-20.3 percent); and from syphilis (-13.4 percent) to meningococcic meningitis (-10.1 percent). There is an overall decrease in voluntary terminations of pregnancy, but abortions are more numerous in the North.

7. Justice: One already well-publicized statistic stands out on this front: homicides are decreasing, but rape, extortion, and kidnapping are increasing.

10992

CSO: 3528/80

## CNR RESEARCH PROJECT ON 'MEDITERRANEAN AGRICULTURE' OUTLINED

Rome IL POPOLO in Italian 20 Dec 86 p 14

[Article by Angelo Padovan: "'Mediterranean Agriculture' Research Project Launched"; first paragraph is IL POPOLO introduction]

[Text] The project contains a commitment to spend 260 billion lire over a period of 6 years. In presenting the project yesterday in Rome, CNR [National Research Council] president Rossi Bernardi pointed out that by its decision to allocate 40 percent of its budget to the South, the Council had acted to give priority to the food-growing agricultural initiatives, involving a new relationship among production, processing, and consumption.

Rome--The "Mediterranean Agriculture Project" has been launched. As finalized by the National Research Council (CNR) and the Technofood Corporation, it provides for a comprehensive revival of this sector in the South by perfecting and updating systems of production and processing but above all by concentrating on the opening of "new paths" supported by research. It is, in other words, designed to introduce a new philosophy into the contacts between the agricultural and industrial entrepreneurial sectors, but especially between the still too distant "worlds" of supply and demand--that is to say, of producers and consumers. The goal is obviously that of placing desirable goods on the market at prices that are competitive and remunerative, thereby offering a solution to the outrageous problem of the agricultural surpluses--a problem that within the European Economic Community has profoundly involved the concerned ministries, the Strasbourg Parliament, and the concerned trade associations.

In presenting the "project" yesterday, CNR president Luigi Rossi Bernardi said that by its decision to allocate 40 percent of its budget (1.8 trillion lire in 1986) to the development of research in the South, the Council had acted to give priority to those initiatives in the food-growing agricultural field that are oriented toward "Mediterranean agriculture" (cereal grains, olives, tomatoes).

Rossi Bernardi emphasized that the situation in respect to research, agriculture, and the food-processing industry in the South "should be improved by means of a more incisive effort of coordination and revival." The commitment of the CNR is embodied in the "package" of research programs that the Council submitted to the Interministerial Committee for Economic Planning (CIPE) on the occasion of the drafting of the new 3-year plan for special intervention in the South.

The project of the Technofood Corporation--as its president Rodolfo Paoletti has emphasized--calls for the creation of a network of research centers to upgrade the typical products of "Mediterranean agriculture," study their nutritional properties, and improve the technology for growing and processing them.

Implementation of the program will require 6 years and an expenditure of 260 billion lire.

Specifically, the project calls for the development of technological, nutritional, and economic research to orient the specific types of Southern agricultural products--and the processing industries--toward the production, distribution in Italy, and export of controlled and balanced food products that can represent the equivalent--in the various commercial categories--of the nutritional standards of the Mediterranean diet.

The research should also determine how to incorporate the essential characteristics of that diet into new food products that will be of industrial and commercial interest in Italy and abroad.

With respect to agricultural surpluses, only a few days following the agreement of the ministers of the "twelve" concerning the disposal of the Community's surplus milk and beef, the recently created investigating committee of the European Parliament has established the broad outlines of its tasks. Specifically, the committee has decided to deal with these tasks in three major stages: reduction of the existing unsold stocks, an inventory of the stocks, and determination of the strategy to follow to avoid the formation of new unsold stocks.

Another item of news that at least potentially relates to rationalization of agricultural production concerns the wine-growing register decided upon by Italy and the other wine-growing countries of the EEC. Our country, in particular, is committed to submitting the plan for its implementation to the Brussels Commission in January.

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CSO: 3528/80

## ARMS INDUSTRIALISTS PROTEST ANTI-EXPORT POLICIES

Madrid EL PAIS in Spanish 11 Feb 87 p 14

[Article by Carlos Yarnoz and Javier Rivas]

[Text] Madrid--In 1986 Spain exported arms worth 100 billion pesetas, a total of 30 billion pesetas less than last year. The three largest companies--Santa Barbara, Bazan, and Construcciones Aeronauticas [CASA]--incurred losses of more than 20 billion pesetas last year. According to the Spanish Arms Manufacturers Association (AFARMADE), the sector is in a crisis situation because of the severe restrictions on exports. "The sale of arms is a legal and legitimate activity. Why are we being mistreated?" wonders Felix Alonso-Majagranzas, president of AFARMADE.

In 1985, the AFARMADE companies, totaling 51 firms, which constitute 95 percent of the sector's real volume, has sales between 225 and 230 billion pesetas. About 125 billion pesetas were attributable to exports and 90 billion pesetas to sales made to the Ministry of Defense. The remainder represents "miscellaneous products." Most of the sales to Defense were made by companies belonging to the National Institute of Industry (INI), while the private companies devoted most of their commercial efforts to exports. The official figures for 1986 have not yet been published.

Spain does not have specific laws determining to which countries arms can or cannot be exported. The only existing legislation relates to the functioning of the Foreign Trade Interministerial Regulatory Board, which has responsibility for granting or denying arms export licences and in whose establishment decree it is stated that restrictions are determined on the basis of unspecified political criteria.

Officially, the government, through the Board, does not now grant licences for exports to countries at war, such as Iran and Iraq; countries which ostensibly do not respect human rights, such as Chile and Paraguay; states with embargoes decreed by the UN, such as South Africa; and countries to which Spain has committed itself to not sell arms, such as Libya and Syria. Moreover, the government makes certain that arms are not sold to Warsaw Pact countries, Vietnam, Albania, Mongolia, Taiwan, and North Korea.

In spite of that, the President himself has officially acknowledged that in 1986 Iraq was sold spare parts for BO-105 antitank helicopters supplied by CASA--Iraqi pilots have been trained in Spain to fly these helicopters--and war materials worth 356 million pesetas were sold to Chile.

The policy of granting licences originated in recent years out of the tensions between ministries which supported flexibility in this regard, such as the Ministries of Economy, Defense and Industry, and those which supported stringent policy restrictions, such as the Ministry of Foreign Affairs. In the last few years, the government denied licences for sales of trucks to Chile in 1985, maintenance of Iranian ships in 1983, shipment of submarine spare part fittings to South Africa in 1982, bomb supplies to Argentina in 1982, participation in a mortar-sale-to-Paraguay competition in 1986, sales of cannons, patrol boats, and machine guns to Chile in 1986...

On the other hand, the government authorized arms sales to intermediary countries even though it knew that their final destination was embargoed countries, such as Iran, Iraq, South Africa, and Chile. Unusual actions have also been noted. In 1982, for example, the Bazan National Company was permitted to sell spare parts for French weapons and submarine motors to South Africa, according to a top company official, despite the fact that France received the major benefit from the operation.

#### The Buyers

The government's position in this sector is being heavily criticized by the arms manufacturers for three reasons: On the one hand, they argue, "If the country wants to have a defense industry, we have to be permitted to export, because domestic sales are not adequate." They add that all the operations banned in Spain have been carried out finally by other Western countries: Great Britain has sold ships to Chile; Greece, Portugal, and Argentina are selling arms to Iran with ultimate-destination certificates to that country. And, finally, they say emphatically, "We can only sell arms to countries at war or with dictatorial regimes. Now, the government has closed the markets to us." In the face of this situation, according to Alonso-Majagranzas, the arms manufacturers are calling upon the government for "coherence and continuity" in its arms export policy and propose that there be consensus between the President and the opposition in this sector.

According to other businessmen from private companies, the government "is placing a burden on the arms industry." "If that is the way they want it, let them amend the constitution to make it a crime to manufacture and sell arms," they say. They claim that in addition to the export restrictions no state organization is financing commercial operations while other countries, such as France and Great Britain, offer financing of up to 80 percent. Because of that, Spanish exporters, according to some of them, are resorting to subterfuges to bypass the restrictions and are paying high commissions.

In this connection, several information sources are saying, for example, that Bazan paid the Alcantara Company--of which magnate Adnan Khashoggi holds 25 percent of the capital and an equal amount is held by the INI--about 10 percent of the proceeds of the sale of corvettes to Egypt in 1982; operations with Indonesia--a country with which CASA is cooperating--have a surcharge of 2 percent for a fund earmarked for retired military personnel of that country, a detail that is described as "honest corruption" in Spain; in some African countries, the president of the nation receives up to 15 percent of the sale amount, and every export has a 25 to 30 percent surcharge for commissions.

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CSO: 3548/52

## MILITARY, CIVILIAN MARKET LOSSES THREATEN OERLIKON-BUEHRLE

## International Military Sales Slowing

Zurich DIE WELTWOCHE in German 19 Feb 87 pp 21, 23

[Article by Rita Flubacher: "Balance Sheet Cosmetics Are the Only Answer--Oerlikon-Buehrle: Massive Losses in Military Sales; Machine Tool Sales to U.S. Down"]

[Text] 9 am Saturday morning, 13 December 1986: On Bucheggplatz in Zurich, the members of the board of Oerlikon-Buehrle Holding Ltd were sitting down to a meeting. But what they got see in terms of numbers, insiders say, thoroughly spoiled the pre-Christmas mood of the company's top brass. According to preliminary estimates, the unsuspecting board members were told, the firm was not in the black but had in fact incurred a deficit of 200 to 250 million Swiss francs. The main culprits were the armament division which was 200 million francs in the red as against the 100 million that had been expected and the Contraves division which was faced with a 50 million franc deficit as against an anticipated 50 million profit.

The only consolation was the 60 million profit figure reported by the Balzers division and the fact that the Pilatus [Aircraft] Works were also doing well. Bally, too, had done reasonably well, incurring an approximate deficit of "only" 30 million francs.

The concern's stockholders and investors were told nothing of all this. In its interim report, issued last fall, Buehrle had merely predicted somewhat smaller profits in anticipation of reduced sales. The firm even managed to still the doubts of its most adamant critics. There was no reason to expect any losses, Buehrle's press spokesman Erwin Buklar announced, "if nothing goes wrong during the remaining 3 months of the year." And the 4 December issue of SCHWEIZERISCHE HANDELS-ZEITUNG [Swiss Journal of Commerce] ran an analysis by KK Swiss Investment Research of Zurich which stated that the dividend picture continued to look promising. The 1986 business year, it was said, would show a 61 million franc profit and for 1987, the analysts even felt justified in forecasting an 85 million franc profit.

But by now all and sundry are aware of the true facts of the case. The Oerlikon-Buehrle board of directors issued a report on 23 January 1987 which

broke the bad news to the public in a somewhat roundabout way. "The earning position of the concern has been adversely affected by unfavorable sales trends and currency shifts as well as by the high costs of introducing new products in the military market, e.g. "Adats" and "Seaguard." "In view of anticipated losses," the report concluded, no dividends would be paid this year.

Although DIE WELTWOCHTE has obtained information about the actual extent of the losses, the stockholders are more likely to be told merely of the tip of the iceberg when the balance sheet is made public later this spring. "The figures presented to the board at its December meeting amounted to what is known as a worst case projection," Dieter Buehrle, the concern's chief executive officer, told us in a WELTWOCHTE interview. At its initial meeting this year, for that matter, the board was presented with a more favorable picture on the basis of "new figures." But insiders vehemently deny this. According to them, the approximate figures presented in December 1986 still apply, since the final accounts have not yet been prepared. Buehrle himself indicated as much when he sidestepped our question about the actual extent of the concern's losses by saying that exact figures are not yet available.

The stockholders, who will in all likelihood be presented with an undramatic accounting, should know that there are all sorts of ways of doctoring balance sheets by means of cosmetics. Dieter Buehrle explained just how this is done.

"After the worst case projection," he said, "you get into the whole matter of writeoffs and the liquidation of reserves--and these are major changes."

The No 1 problem child is the military technology division headed by Michael Funk. Its consolidated turnover for 1985 amounted to 1.08 billion Swiss francs. According to information made available to DIE WELTWOCHTE, the division has no virtually no reserves left. A decline in sales (because some customers delayed their orders) and the unexpectedly higher development costs for the "Adats" guided missile system have led to the 200 million franc loss. Funk says that costs for "Adats" will total 700 million francs by 1988. Sources inside the concern, however, estimate total costs at 1 billion francs even before the first system is ready for delivery. And that is not all. The Canadian order for 36 of the systems was obtained at a price which does not even cover production costs, much less provide a contribution to overhead expenses. Funk vehemently denies this. A contribution, "albeit a very minimal one," was indeed figured into the costs, he says. Normally, the first customer is not willing to pay an "extremely high price" for a new product in view of the risks involved. The situation tends to improve when subsequent orders are received and costs can be lowered as a consequence of greater output.

The fact that the decision was made in January to shelve the "Escorter" project demonstrates just how precarious the situation in the military technology division is. Development costs for the unwieldy vehicle on which work has continued since 1973 according to Funk are estimated at 250 million francs. Funk himself admits to 150 to 200 million. Insiders say that 70 million francs will be saved by dropping plans to move into the advanced production engineering phase with the "Escorter."

The Contraves division (with overall sales of 1.13 billion Swiss francs in 1985) experienced unexpected cost overruns with the "Seaguard" system. On this project, 50 million francs were written off. Ernst Winkler, Buehrle's chief of finance, says that this step was taken in accordance with the concern's strict regulations governing capital writeoffs. Since there are no customers, the price of the product must be set at a lower figure. And by Dieter Buehrle's own admission, there are no other customers for "Seaguard" at this time beyond the systems that have been installed on six Turkish frigates. But, according to WELTWOCH sources, there are enough reserves showing on the Contraves balance sheet to convince the stockholders of the fact that things are still on a fairly even keel.

In the machine tool sector business is very slow. Some time ago, it was announced that production of drilling machines would be transferred from Zurich to Oerlikon-Boehringer Ltd in Goeppingen, Germany and this reduction in capacity has resulted in additional costs. While the outlook for Boehringer in 1986 and 1987 is termed "good," Dieter Buehrle makes no bones about the fact that the concern's outposts in the United States are in very bad shape. Competition from imports, led by the Japanese, as well as a lack of competitive capacity in technological terms have played havoc with the American machine tool industry generally and Oerlikon Motch Corp of Ohio is no exception. It was 7 years ago that Oerlikon bought up Motch, considered a prize catch in industry circles at the time because of its sales volume which ran into the billions. But the 7 fat years did not materialize. And in order to get out of the cycle of 7 lean years, Dieter Buehrle would be more than glad to get rid of the concern's machine tool operation in the United States.

In contrast to these indigestible chunks, the picture at Bally, the third leg of the Buehrle triad, looks positively gratifying. Although the ups and downs on the currency market and the absence of American tourists have resulted in a drop in sales and earnings, Winkler calls them "undramatic."

With the exception of the welding engineering division, known to be plagued by losses, insiders say that the other divisions of the Buehrle concern (e.g. insurance, hotels, Balzers and the Pilatus Aircraft Works) have done well but are not making a major contribution to the overall picture. Since Dieter Buehrle makes no secret of his predilection for the military sector, it is quite conceivable that some firms might go on the block. Buehrle says that a "relatively close examination" of the concern will take place this year with the aim of selecting potential candidates which might be sold off in due time.

The stockholders, however, will have to wait for any announcements along these lines. "In another year, I will know more," Buehrle says. The stockholders' concern, to be sure, is focused on matters closer at hand, e.g. the losses to be reported. They are unlikely to be told about the 200 million francs because at concern headquarters on Bucheggplatz they are presently quoting the more palatable figure of 80 million which is corroborated by an analyst of Bank Baer whose estimate is in the 50 to 100 million range.

Is this only a temporary dip? Buehrle believes that 1987 will be "better." On the job front, the concern does not expect any major changes. A complete transfer of arms production outside the country is not envisaged; the

development and production of prototypes will stay in Switzerland as will the production of ammunition for Switzerland and other neutral countries.

That is about all that can be expected. The "crucial fact about the military sector," Buehrle says, is that more and more business deals are tied to compensations (i.e. part of the production must be transferred to the contracting nation) and licensing arrangements (i.e. production takes place in a foreign country in its entirety).

#### Machine Tools Losing Competitiveness

Zurich DIE WELTWOCHE in German 19 Feb 87 pp 21, 23

[Interview with Dieter Buehrle, Oerlikon-Buehrle CEO, conducted by Rita Flubacher and Marcel H. Keiser, date and place not given: "Back to Normal in 1987"]

[Text] [Question] At its 13 December 1986 meeting the Oerlikon-Buehrle Holding Co board of directors was confronted with the unpleasant news that the concern was showing substantial losses for the business year just coming to an end which would make the payment of dividends to its stockholders impossible. Insiders claim that the board was told of losses in the 250 million [Swiss] franc range.

[Answer] Without a doubt, that figure is too high. For another thing, the figures submitted to the board in December represented a summation of all the negative possibilities imaginable, i.e. a so-called worst case projection. Today we know that these worst case figures do not correspond to reality. To be sure, I cannot tell you at this point how large the losses will be because the individual divisions are not required to submit their final audits to us until the end of February.

[Question] Nevertheless, it is clear that the outcome went far beyond your budget projections. Can you tell us the reason why things went wrong ?

[Answer] There were some major writeoffs in 1986 which we had not budgeted for, e.g. in the machine tool sector where we moved some of our activities from Zurich to the FRG. In the military technology field we did not lose any orders this past year but some of our customers delayed placing them. But since our military manufacturing operations involve a lot of fixed costs, every franc we lose in sales has an immediate adverse impact on profits. And finally, we ran into extra marketing costs for our two new weapon systems, the "Adats" and the "Seaguard," in addition to higher development and advanced production engineering costs. Those are the major components that make up our losses. Beyond that, sales and profits of some of our civilian sector divisions were down because of the adverse currency situation. All this contributed to our being unable to achieve our extremely ambitious budget goals.

[Question] What is the present cost estimate for the "Adats" antitank and antiaircraft guided missile system ?

[Answer] We figured on about 400 million francs for actual development and another 200 million for advanced production engineering. By the time we deliver the first firing unit to the Canadians in 1988, the cost of the system may well have reached some 700 million instead of the 600 million we originally planned for. But that amount will also include marketing costs in other countries. One single demonstration in Saudi Arabia cost us 20 million francs because we had to build a complete infrastructure for it in the desert. Figuring on the entire 1979-1990 time frame, we now estimate total costs to run to 700 million francs.

[Question] Rumor has it that "Adats" was offered to the Canadians at such a reasonable price that you run a deficit with every unit you deliver to them.

[Answer] We will not make a big profit on the Canadian contract, that is true; but on the other hand we are not putting any extra money into it either. The order does not bring in big money to contribute to our fixed costs but it does cover contract-related expenditures. When we worked out the order, we figured in only a very small amount to cover our costs because the first buyer who provides the initial spark can hardly be expected to pay a high price over and above incurring the risk of introducing a new system. Worldwide, we are hoping to sell 300 "Adats" firing units which would make the development of the system financially profitable. The more units we produce, the lower the share of fixed costs will be and in the end, we would do our figuring on the basis of an average cost factor.

[Question] But the crux of any such calculations is that there will really be additional orders coming in. Have you been getting any signals along these lines which have escaped the notice of the media ?

[Answer] If I did not believe in obtaining orders, I would have quit the business long ago. Martin-Marietta, our American partner which has developed the "Adats" system at our behest and our expense, is hoping for a positive response by the United States by the end of 1987. Other buyers which have expressed an interest publicly include Turkey and Saudi Arabia. In Turkey's case, we presented a funding proposal along with our offer. A European NATO country which I would prefer not to name at this time has also expressed strong interest in the system.

[Question] When do you expect these countries which have expressed interest to make their decisions known ?

[Answer] In the course of the next 2 years.

[Question] On the occasion of the 50th anniversary of our antiaircraft forces last October in Emmen, Jean-Pascal Delamuraz, the then Swiss defense minister, inspected the "Escorter," a 35-millimeter twin-barrel antiaircraft gun mounted on an extra-wide wheeled vehicle. But since that time not a word has been heard about this mobile antiaircraft system. Has something gone wrong in its development ?

[Answer] No, not at all. As far as actual development is concerned, it would just take some minor work; but the system still has to be gotten to the

advanced production engineering stage. Last year, we decided to limit ourselves to conducting tests and to demonstrate the system only to serious potential buyers. But since we did not receive any orders by the end of 1986, we did not move forward into advanced production engineering. To be sure, there are some offers in the works which we can justify in good conscience because the development phase of the system is all but complete.

[Question] It has been said that some 250 million francs have been spent on the "Escorter" so far.

[Answer] That is not an accurate figure. Depending on how the costs are figured, they range between 150 and 200 million francs. Let me emphasize that in this case--as opposed to "Adats"--none of the development costs were capitalized. In addition, some of the developments which came out of this project have been used in other systems. For another thing, I do hope that this project has just been set aside temporarily because on the one hand there is a definite need for a mobile close-range antiaircraft weapon and on the other the cost of self-propelled antiaircraft guns has gone up tremendously. The "Wildcat" built by Krauss-Maffei and our own "Escorter" are the only antiaircraft guns mounted on wheeled vehicles. In addition to Saudi Arabia, there are no other buyers in sight at this time who might place a large enough order.

[Question] Your machine tool division is also in trouble. Is the Buehrle concern still happy with its U.S. acquisitions ?

[Answer] From what I know, virtually all American machine tool manufacturers are up for sale because given their cost structure they cannot compete against the Japanese. Oerlikon Metch Corp in Cleveland, Ohio, is faced with a situation of this kind.

[Question] It is up for sale, in other words ?

[Answer] Yes indeed. Would you like to buy it ?

[Question] Will the concern be showing a loss this year again ?

[Answer] Things should get back to normal in 1987 because we already know that we will not be running into the kind of onetime writeoffs or unusual restructuring expenditures that we did in 1986. I am saying all this on the assumption that the dollar does not decline any further. That was the last sentence in the letter to our stockholders we sent out in January. It was not phrased overoptimistically, in other words.

[Question] Which means that the stockholders can look forward to a dividend once again ?

[Answer] Whether or not we will have enough to pay a dividend we will not be able to say until the fall of 1987. One single order in the military technology sector amounting to one or two billion francs could change the picture drastically.

[Question] At the 1986 stockholders meeting you said you would quit the board of directors this year. But now friends of yours are saying that you will stay on as head of the concern and Michael Funk, who runs the military technology division, will have to wait to succeed you.

[Answer] Let me put it this way: I have a certain ambition, too. When I leave my post, I would like the concern to be in the black again so that we can pay a dividend once more. I will let people know in plenty of time when I am ready to leave. Mr Funk has his hands full with the military technology division as matters stand.

#### Domestic Military Sales Disappointing

Zurich DIE WELTWOCHEN in German 19 Feb 87 p 23

[Article by Marcel H Keiser: "Help from the Defense Ministry"]

[Text] The Swiss armed forces have seven medium antiaircraft regiments which are equipped with twin-barrel 35-millimeter antiaircraft guns and serve as the backbone of our land-based antiaircraft capability. Because these Buehrle guns with their "Skyguard" fire control units, which were first commissioned in 1963, are to remain in service at least until 2010, their combat capability is now to be enhanced as part of the upcoming modernization program coordinated with the 1988-1991 legislative session. Internal defense ministry cost projections amount to some 500 or 600 million francs. Present plans are to budget the first segment in conjunction with the '89 arms program. The twin-barrel 35-millimeter guns, which have been an unexcelled hit on the market for years, will add money to the coffers of this country's largest privately owned arms manufacturer yet once more.

The goal is to make the firing units more independent. The package calls for updating the electronic components and equipping the unit with a "Gunking" gunsight based on laser technology which would be of great value in case the "Skyguard" control unit fails. Effective new types of ammunition for use against modern aircraft and armored helicopter gunships are also being considered.

Oerlikon-Buehrle has developed an enhanced model which is far more combat-effective than the basic model presently in use in the Swiss armed forces. This model, the GDF 005, provides for automatic target tracking by means of a laser distance meter, electronic gun control, an integrated power supply and two automatic reloading devices. The defense ministry has turned down the most luxurious version, however; one which, among other things, provides for an armor-plated compartment for the gun crew.

Nor has the defense ministry developed a particular fondness for "Adats," the antiaircraft and antitank guided missile system mounted on armored personnel carriers. Corps Commandant Joerg Zumstein, the former chief of the general staff, termed the system's antitank component "overspecified," maintaining that there is no need for a long-range missile such as this in the extremely hilly Swiss terrain. Eugen Luethy, who succeeded Zumstein, is said to take a more favorable view but, like his predecessor, is faced with a tight budget.

What is more, the army's most urgent need for weapons which can be used in support of armored units at intermediate altitudes is covered by the British "Rapier" missile for the time being.

For his part, Dieter Buehrle is unhappy about the fact that there still is no organically integrated system available to our mechanized units. "After 1990, it will be an open question once again," he says. "But if I were the commanding officer of the 33rd Antiaircraft Brigade, I would certainly put in an order for "Adats" right away." A similar item which he would like to shelve for the time being, however, is the "Escorter," the only antiaircraft gun (a radar-controlled 35-millimeter cannon) cum wheeled vehicle except for a model manufactured in [West] Germany.

However odd it may strike one at first glance, the "Seaguard" system which was developed primarily for close-range defense of naval vessels may be of some interest to Switzerland after all. The four-barrel, 25-millimeter system would be suited for the defense of fixed installations, e.g. exposed heightfinding radar facilities. To the astonishment of the experts around the world the weapon is capable of firing 3,200 rounds per minute vertically over the zenith. When used as a missile defense system, it has an effective range of up to 1.5 kilometers and when used against aircraft, which present a larger target, its range increases accordingly. But for the present there have only been some very informal discussions with the arms procurement authorities because the federal government in Bern keeps calling attention to the tight budget situation.

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## REVIEW OF OZAL'S ECONOMIC PERFORMANCE

Istanbul DUNYA in Turkish 15 Dec 86 pp 1,9

[Article by Bilal Cetin]

[Text] Ankara--Three years ago today, the Turgut Ozal administration took office. Whereas traditional economic indicators provide evidence of positive developments in some areas as a result of this government's policies over the past 3 years, several problems within the economy continue to exist and, in addition, other problems have been added.

During the Ozal administration's 3-year term, the development rate has risen from 3.3 percent to 7.9 percent, and fixed-capital investments have also increased significantly. Despite progress in production and investment, a visible improvement in the unemployment picture has not been achieved, but an increase in the number of unemployed has been prevented.

During this period, Prime Minister Ozal has not only been unable to attain his target of an annual, average 10-percent inflation rate, but has not been able to reduce it to less than 30 percent. In fact, the inflation rate was 30.5 percent in 1983, the year the administration took office, and rose by 50.3 percent in 1984, by 43.2 percent in 1985. According to DIE [State Statistical Institute] figures for November, this year's inflation rate is 30.7 percent.

On another hand, emphasis has been placed on short-term credit in foreign indebtedness, while foreign-debt payments have been increased. As a result, it has been determined that the ratio of short-term loans relative to total indebtedness has risen dangerously. While total foreign indebtedness was \$18.4 billion at the end of 1983, it increased by \$10 billion in a 2 1/2-year period to \$28.2 billion by the first half of 1986. Foreign indebtedness is expected to climb to \$30 billion by the end of the year.

Meanwhile, the high rate of increase in exportation seen in the Ozal administration's first 2 years in office has ceased, and exportation during the first 9 months of 1986 fell by 8.8 percent.

Developments resulting from the policies pursued by the Ozal administration over the past 3 years and made apparent by established indices are:

During its 3-year term in office, the Ozal administration has been extremely successful from the standpoint of growth rate and productivity. During its first 2 years, economic growth and production increases were, to a great extent, due to increased exportation; within the past year, the result of greater domestic demand.

According to DPT [State Planning Organization] and DIE figures, the growth rate was 3.3 percent in 1983; 5.9 percent in 1984; and 5.1 percent in 1985. The highest growth rate since 1976 is predicted for 1986 with a growth rate of 7.9 percent and a gross national product of 39,679,000,000,000 liras at current prices.

Per capita national income totaled 241,348 liras at current prices in 1983 and rose to 679,770 liras in 1986. Calculated in dollars, the average income was \$1,077 in 1983; \$1,026 in 1984; \$1,063 in 1985; and \$1,140 in 1986.

Using current prices, the true increase in per capita income was 0.8 percent in 1983; 3.3 percent in 1984; 2.5 percent in 1984; and 5.2 percent in 1985.

#### Investments

In parallel with the revival of domestic and foreign demand, an extremely high percentage of real increase, in 1985 and 1986 in particular, was observed in fixed-capital investments.

Total fixed-capital investments expressed in actual value rose by 3.4 percent in 1983; 4.7 percent in 1984; 10.9 percent in 1985; and, using available data, 11.6 percent in 1986.

Moreover, while 39 percent of total fixed-capital investments were made by the private sector in 1983, the proportion rose to 42.9 percent in 1986. Private investment in housing, as a result of mass-housing policies, rose significantly, had a great effect on the private sector's percentage in total investments, and was influential in increasing total investments.

Total fixed-capital investments at current prices was 2,215,000,000,000 liras in 1983 with private sector investments of 865 billion liras. The data on hand for 1986 shows 8,742,900,000,000 liras in total fixed-capital investments and 3,752,400,000,000 liras in private sector investments.

#### Balance of Payments

During the Ozal administration's first 2 years in office, very positive results were noted in regard to the balance of payments. However, success has not been carried over into 1986. Whereas the current-operations deficit fell from \$1,828,000,000 in 1983 to \$1,407,000,000 in 1984 and \$1,013,000,000 in 1985, it rose to \$1,216,000,000 in the first 8 months of this year due to negative developments in foreign trade as well as an increase in debt payments. It is estimated that the current deficit will reach \$1.8 billion by the end of the year.

In 1983, exports (FOB) totaled \$5,905,000,000. There was a 25-percent

increase in 1984 with exports valued at \$7,389,000,000, and an 11.7 percent increase in 1985 with exports of \$8,255,000,000. Exportation fell by 8.8 percent during the first 9 months of 1986, and it is calculated that total FOB exports will be \$7.4 billion this year.

Total imports in 1983 were \$8,895,000,000; in 1984, \$10,331,000,000; and in 1985, \$11,230,000,000. Because of the fall in oil prices, imports for 1986 should amount to \$10.6 billion. Thus, the foreign-trade deficit was \$2,990,000,000 in 1983; \$2,942,000,000 in 1984; and \$2,975,000,000, in 1985. The foreign-trade deficit climbed to \$2.8 billion during the first 9 months of 1986 and is expected to reach \$3.2 billion by the end of the year.

Meanwhile, Turkey's total foreign-debt payments for interest, principal, and IMF loans rose from \$2,507,000,000 in 1983 to \$4,435,000,000 in 1986.

#### Foreign Debt Rises \$10 Billion

Within the last 3 years, the Ozal administration has made payments on the principal of foreign debts amounting to \$5,235,000,000. However, the ratio of short-term indebtedness to total foreign indebtedness has grown to dangerous proportions.

At the end of 1983, the total foreign debt was \$18,385,000,000 with \$3,039,000,000 in short-term loans and \$15,346,000 in moderate and long-term loans. By June 1986, the total foreign debt rose to \$28,189,000,000, and \$8,210,000,000 was in short-term loans. It is calculated that foreign indebtedness will increase to \$30 billion by the end of 1986.

#### Inflation

Although Prime Minister Ozal's strong efforts to combat inflation had been ineffective in producing significant results until this year, international influences such as the fall in oil prices and the decline in the value of the dollar resulted in marked improvement.

Despite large price increases at the end of 1983, the year's average inflation rate stood at 30.5 percent (using DIE wholesale-goods prices). In 1984, there was a record increase, 50.3 percent. In 1985, prices rose by another 43.2 percent. At the end of November of this year, the average 1986 inflation rate was estimated at 30.7 percent.

#### Wages, Salaries

In its 3-year term, the Ozal administration has been unable to achieve a marked improvement in true income for laborers and civil servants. According to data taken from figures cited in the DPT's 1987 program and from the DIE's consumer price index, workers' true wages fell between 12.4 percent and 18.7 percent during the period from 1983 to 1986.

According to DPT figures using the standard of 100 for 1983, the true minimum wage in 1984 was 102; in 1985, 118.9; and in 1986, 87.6. Whereas the average wage of an employee in the public sector was 100 in 1983, it fell to 81.3 this

year. In the private sector, the average true wage rose 10.4 percent in 1983, fell 2.1 percent in 1984, climbed 14.7 percent in 1985, and declined 5.3 percent in 1986.

Averages of salaries of various levels within the class of non-supervisory staff members show that these government employees' wages increased 6.1 percent in 1984, decreased 0.1 percent in 1985, and declined another 2 percent this year.

According to DPT figures, the total number of unemployed in Turkey at the end of 1983 was 2,861,000; in 1984, 2,904,800; and in 1985, 2,978,900. Due to increases in growth rate and investment, the number of unemployed fell by 100,000 this year, to 2,880,000.

Balance of Payments  
(million dollars)

	1983	1984	1985	1986
Imports	8,895	10,331	11,230	10,600
Exports	5,905	7,389	8,255	7,400
Trade deficit	-2,990	-2,242	-2,975	-3,200

Inflation  
(percent)

DIE--Wholesale	30.5	50.3	43.2	30.7
DIE--Retail	31.4	48.4	44.9	35.7

Foreign-Debt Payments  
(million dollars)

Principal	1,066	1,107	1,858	2,270
Interest	1,441	1,586	1,753	1,850
IMF	--	141	255	313
Total	2,507	2,834	3,866	4,433

11673

CSO: 3554/140

## FOREIGN TRADE DEVELOPMENTS FOR 1986

Istanbul DUNYA (Supplement) in Turkish 22 Dec 86 pp 1,5

[Text] When the glut on international oil markets reduced the price of crude oil to below \$15 a barrel at the beginning of 1986, Turkey began to plan various scenarios to benefit from the prospective \$1-billion savings in its imports. The common premise in all these scenarios was that the country's foreign trade balance would improve. It was predicted that exports would also decline, but substantial drops compared to the previous year were not expected. In the second half of the year it became evident that the country's total imports had not shrunk despite the cut in its oil bill and that exports had declined substantially. Moreover, it was not just exports to Iraq, Iran and Saudi Arabia--which had their oil revenues cut--that declined; exports to OECD countries also declined. Pressures to boost exports made the already unfavorable terms of foreign trade even worse. In particular, excessive drops were observed in the unit prices of textile exports.

Will the [recently announced] monetary export incentive measures be able to boost exports next year and the following years? Already differences of view exist within the government over this issue. While Prime Minister Ozal attributes the drop in exports to the contraction of the Iraqi and Iranian markets and protectionist policies in the West, some members of the cabinet, officials of the State Planning Organization [SPO] and industrialists dispute Ozal's explanation and attribute the decline in exports to the growth in domestic demand. As a result, differences are observed in the measures proposed to boost exports. Ozal's proposals are aimed at restraining domestic demand and making exports more attractive. Meanwhile, SPO officials insist that capacity utilization in manufacturing has reached its outer limits, that the monetary measures that are currently in effect will produce only short-term results and that new investments are needed to create new capacity in order to produce medium and long-term success. To that end, they propose that incentives should be offered at the investment and production level.

When the rise in the country's foreign debt payment burden--which is now equivalent to half the country's exports--is added to these adverse developments in foreign trade, the structural flaws of the Turkish economy become evident. If it is true that most of the 7.9-percent GNP growth came from infrastructure investments and that the loans borrowed were used in these

investments which do not produce any returns, then it would be no prophecy to say that the country's balance of payments will deteriorate in the coming years.

Growing foreign trade deficits and exchange rate adjustments designed to boost exports are also fanning domestic borrowing. The increase in domestic borrowing and the resulting rise in transfer payments from the budget--these payments currently total nearly half the budget--are in turn blocking efforts to reduce interest rates because the Treasury is forced to maintain interest rates at around 50 percent in order to be able borrow more every week. That in turn is preventing credit interest rates from dropping to below 70 to 80 percent despite the fact that the inflation rate has been reduced to about 30 percent.

The first steps to open up the economy to the outside were taken within the framework of the economic stability measures which began to be implemented in 1980. The liberalization of foreign trade was expanded with the 1984 import regime. The liberalization of trade continued in the following years.

#### Imports and Balance of Payments

The liberalization of trade in 1984 substantially reduced nominal and effective protectionist measures in agriculture, mining and manufacturing. The new import regulations that will begin to be implemented in 1987 will reduce protectionist measures even further. The last remnants of the import substitution policies implemented between 1960 and 1980 will thus be cut even further.

After growing substantially in 1980 imports remained steady until 1984. After rising by 56 percent to \$7.9 billion in 1980, imports remained at \$8.9 billion in 1981 and \$8.8 billion in 1982. The expanded liberalization moves of 1984 boosted imports to \$10.8 billion. But the rate of growth of imports slowed down in later years. However, even with a \$625-million cut in the country's oil bill in the January-September period of 1986--representing a 46.2 percent reduction over the corresponding period of the previous year--imports have continued to grow by 2.6 percent.

The continued growth in imports despite declines in oil imports is attributed to the high growth rate of the GNP. The fact that the income elasticity of imports is greater than 1 establishes a direct link between growth in imports and the growth in the GNP.

With a value of \$1.581 billion, investment goods constituted 20 percent of imports in 1980. In later years, the share of investment goods in imports hovered around 25 percent. Data for the first 9 months of 1986 indicates that this figure has risen to 30.7 percent. Thus, the rate of growth of imports of investment goods--currently totaling \$2.5 billion--has reached 56.9 percent.

While the share of investment goods in total imports remained fairly steady between 1981 and 1985, the share of consumer goods rose at a rate that offset the reduction in the country's oil bill. Imports of consumer goods totaled

\$170 million in 1980 (2.2 percent of total imports) and \$242 million in 1983 (2.6 percent of total imports). In 1984, [sentence incomplete as published].

The failure to achieve the expected improvement in the country's foreign trade balance also reversed positive forecasts on the balance of payments, and the government tried to close the balance of payments deficit with new borrowing.

The country's foreign debt stock rose from \$25.4 billion at the end of 1985 to \$28.2 billion at the end of June 1986. Although most of the foreign debt consist of medium and long-term loans, the rapid growth of short-term borrowing beginning in 1984 also created an adverse climate for the balance of payments. The share of short-term loans in total foreign debts rose from 13 percent in 1980 to 15 percent in 1985 and 17 percent as of the end of June 1986.

Although the country's foreign trade deficit and foreign debt have grown, Turkey's success in not delaying its foreign debt payments is seen as a positive development. On the other hand, it is desired to bring some order to the disorganized and haphazard borrowing practices that emerged in the public sector in 1986. To this end the following decision has been put into effect: "The Undersecretariat of the Treasury and Foreign Trade and the Central Bank will set foreign borrowing schedules in 6-month intervals. These schedules will determine when, how much and from what institution each public-sector agency can borrow; public-sector agencies will conduct their borrowing negotiations in accordance with these schedules. Loan negotiations not recorded in these schedules will not be engaged in. Moreover, the Treasury will not guarantee such loans." This decision underscores the seriousness of the growing debt burden.

Indeed, the foreign debt stock which constituted 48.7 percent of the country's GNP as of the end of June 1986 is expected to exceed 51 percent of the GNP by the end of the year. Moreover, the growth of foreign debt as a proportion of the GNP coupled with the 7.9-percent growth in the GNP in 1986 is making the foreign debt burden heavier every year. Although the foreign trade deficit has been steadily reduced since 1981, it is clear that the policy of repaying debts with new borrowing is not reducing the debt burden. The ratio of the foreign debt payments to the export earnings [debt service ratio] dropped from 45.6 percent in 1979 to 37.1 percent in 1981, but grew in the next two years. The debt service ratio rose to 40.3 percent in 1982 and 44.3 percent in 1983. Although the said figure dropped to 38.7 percent in 1984 it rose back to 43.7 percent in 1985. According to targets set by the government program, the debt service ratio will increase to 53.2 percent by the end of 1986 and to 54.3 percent in 1987.

Exports, which stood at \$2.9 billion in 1980, rose by 61.6 percent in 1981 and 22.2 percent in 1982 following export incentive measures introduced in 1980. The decline of exports by 0.3 percent in 1983 is attributed to the failure to attach adequate importance to exports by the Ozal government which took office that year. Incentive measures introduced by the new government's export regime helped to expand exports by 24.5 percent in 1984 and 11.6 percent in 1985. Exports declined by 8.8 percent in the January-September period of 1986

[compared to the corresponding period of the previous year]. Exporters have attributed this decline to the elimination of export incentives and the reduction of tax rebates beginning in 1984.

The failure of exports--which have been the top priority of all governments since 1980--to grow as much as expected in 1986--indeed their decline--has revived the debate over priorities in expanding exports. According to one view which is shared by one wing of the government and some administrators of the SPO, "exports have reached their limit, because we have reached the outer limits of capacity utilization in the manufacturing industry. Moreover, \$2.27 billion is needed for principal and interest payments on foreign debt. The growth of the GNP in 1986 reinvigorated domestic demand and part of the production was directed to the home market rather than overseas. In other words, the attractiveness of the domestic market was revived." The proponents of this view add that although the monetary value of exports has declined a marginal increase has been observed in the absolute quantity of exports. Noting that there has been a decline of 15 to 20 percent in the unit export prices of textiles, the proponents of this view insist that "monetary incentives will produce only short-term results, but they will not have an adequate, lasting and sustained effect in the medium and long term." With this departure point they insist that new manufacturing capacity is needed and that that requires new investments.

The growth of exports [between 1980 and 1985] was accompanied with a restructuring of export markets. However, the decline in exports in 1986 indicates a return to the old market structure. Following the discovery of markets in Islamic countries and increased exports to these countries, the share of the OECD countries in Turkey's exports declined from 57.7 percent in 1980 to 44.2 percent in 1982. Later the share of OECD countries in Turkish exports increased primarily as a result of textile exports to EEC countries. The decline in the oil revenues of Islamic countries in 1986 reduced these countries' imports, and this resulted in a reduction of Turkish exports to these countries. In 1986, exports declined to both the OECD countries and the Islamic countries. The share of OECD countries in Turkish exports declined from 52.3 percent in the January-September period of 1985 to 54.0 percent in the same period of 1986 [as published]. Meanwhile the share of Islamic countries in Turkish exports declined to their lowest level since 1981. On the other hand, the share of the socialist countries in Turkish exports [incomplete sentence as published].

As in the case of most developing countries, Turkey chose the capacity and technology for its industry on the basis of prospective expansion of its domestic market. Consequently, exports were not a major goal until the 1980's. Following the economic stability measures of 1980, governments made the expansion of exports their top priority agenda item in order to repay the foreign debt inherited from the past and, most importantly, to procure foreign currency for investments and to utilize existing industrial capacity.

The exported portion of apparel production is expected to decline from 68.38 percent in 1985 to 53.50 percent in 1986 because of the expansion of domestic demand. This figure is planned to rise to 56.68 percent in 1987. Between 1985 and 1987, the ratio of exports to production is envisaged to be 39

percent in textile weaving and around 31 percent in tobacco. In iron and steel the government program calls of exports to production ratios of 31.665 percent in 1985, 28.30 percent in 1986 and 26.73 percent in 1987.

The growth of exports has been proportional to the magnitude of monetary export incentives. Foreign exchange rates were used as the primary means of export incentives. Other export incentive measures were tax rebates and export loans. When special export loans were eliminated and the share of tax rebates in total exports was reduced in 1985, the rate of growth of exports dropped in 1985 and turned into a decline of 8.8 percent in 1986. In response, the government reintroduced monetary export incentives for 1987. Legislation introduced by the government reduced the tax rebate brackets from 10 to 5. The tax rebate rates were set as 8, 6, 4, 2 and 0 percent. According to this system, exports of \$0 to \$2 million will get a tax rebate of 0 percent; exports totaling \$2 million to \$10 million will receive a tax rebate of 2 percent; exports of \$10 to \$30 million will receive a tax rebate of 4 percent; exports totaling \$30 million to \$50 million will be eligible for a tax rebate of 4 percent for the entire amount; and exports of over \$50 million will be eligible for a tax rebate of 6 percent for the entire amount.

Exports for 1986--forecast at \$7.55 billion in the 1987 government program--are expected by most optimistic estimates to reach \$7.4 billion. Exports for 1987 have been targeted at \$8.55 billion. Total exports have been programmed to grow by 13.2 percent in 1987 [over the previous year] and manufactured and industrial product exports are envisaged to grow by 17.4 percent.

9588

CSO: 3554/153

## HAYDARPASA PORT MARKS CONTAINER SHIPPING GROWTH

Istanbul DUNYA (Supplement) in Turkish 22 Dec 86 p 9

[Interview with Ziyaettin Sidar, director general of the Haydarpasa Port Authority, with correspondent Ferda Yurtturu]

[Excerpts] Who is Ziyaettin Sidar?

Sidar was born in Istanbul in 1930. After completing his elementary and middle school education in Kadikoy, Sidar graduated from the Haydarpasa Lycee in 1950 and the Higher Maritime School in 1955. He began his service as the manager of the Port of Samsun in 1956. After leaving his job for a while to complete his army service, Sidar returned to work at the Port of Haydarpasa in 1960. In 1969, he was appointed assistant director general of the port. He has been the director general of the port since 24 August 1978. Sidar is married and the father of two children.

Ziyaettin Sidar, the director general of the Haydarpasa Port Authority, stated that demand for container shipping has been growing in Turkey and globally and that the Haydarpasa Port Authority experienced a substantial increase in container shipping in 1986.

Noting that the Port of Haydarpasa came under increased pressure after loading services were terminated at the Port of Salipazari, Sidar said: "Our loading and unloading capacity for this year is 2,696,635 metric tons."

Sidar added that the Port of Haydarpasa has surpassed its targets for 1986 in the first 11 months of the year. Our conversation with Sidar was as follows:

DUNYA: What were the loading and unloading figures for 1986? How much berthage fees were charged during the year?

Sidar: I can give you figures for the first 11 months of 1986. According to our data, our port loaded 590,832 metric tons and unloaded 2,079,199 metric tons in the first 11 months of 1986. In other words, we loaded and unloaded a total of 2,696,635 metric tons [as published].

For this work, the port earned 15,825,064,097 Turkish lira. In addition, we charged berthage fees of 16,327,252,457 Turkish lira. Thus, our total earnings for the first 11 months of 1986 were 32,152,316,556 Turkish lira. Our expenditures for 1986 total approximately 3 billion Turkish lira.

DUNYA: What are the problems the port authority is experiencing?

Sidar: Our most important problem is lack of equipment. This year, the volume of container shipping grew in Turkey as elsewhere in the world. Paralleling this growth in container shipping, the number of container ships docking at our port has also grown. When three or four container ships dock at the port our equipment unfortunately becomes inadequate. This problem will largely be solved with the new container cranes that will arrive in 1987. In addition, as you probably know, ships carrying combustible materials are barred from docking at the pier. Consequently, we have to load and unload such ships offshore. We are planning to build a separate pier for ships carrying combustible materials as has been done in several ports in other countries. That will solve that problem. The small area of the port is unfortunately creating problems which we cannot overcome. For example, we cannot find any space to store the contents of containers after they are unloaded. If we had any space we would like to build an enclosed area. Some goods come in containers. The buyer of the goods in Turkey has to pay foreign currency to the owner of the container. The more such shipping is done by non-Turkish agents the more foreign currency will be lost to overseas. Keeping that foreign currency inside the country would help us as well as the country. I say "us" because if we unload the containers onto an enclosed space after they arrive in Turkey, the owner of the goods will have to pay us some fees rather than paying foreign currency to the owner of the container. That way we can avoid wasting foreign currency, and we can earn money. These small amounts of foreign currency add up in time to very large amounts. As Turkey's largest import gate, the Haydarpasa Port Authority has the capacity to handle such volumes. However, as I stated before, we need to complement our equipment needs.

DUNYA: A while ago you stated that container shipping has been growing in Turkey. What was the volume of container shipping at the Haydarpasa port in 1986?

Sidar: For 1986 we had targeted 30,000 container shipments at the port. However, after the Salipazari port was phased out and because of growing interest toward container shipping in Turkey the actual numbers surpassed our target and exceeded 32,000. This figure is for 11 months, so that the total for the whole year will probably exceed 34,000. Container shipments last year totaled 23,254.

DUNYA: Can you give us an overall evaluation of 1986?

Sidar: As I stated before, the growing interest toward container shipping in 1986 boosted our volume in that area. Another important development that affected us in 1986 was the closure of the Salipazari port to freight shipping and the subsequent shift of their traffic load to our port. The resulting boost in traffic made us work very hard.

## GREATER ISTANBUL WATER PROJECT DETAILED

Istanbul CUMHURİYET in Turkish 15 Dec 86 p 14

[Article by Serpil Gunduz]

[Text] Istanbul consistently exists without water whether or not there is a drought. Work to implement the "Greater Istanbul water project," which was developed in order to solve the city's water problem, continues at a rapid pace. Istanbul's water sources, in the near future, will be the Darlik Dam, Buyukcekmece Dam, Isakoy Dam, Sungurlu Dam, Mudurnu Stream, Sapanca Lake, Istranca streams, and Kucukcekmece Dam.

It has been reported that the Buyukcekmece Dam, whose foundation was laid by Prime Minister Turgut Ozal on 22 June 1984, will begin operating at the beginning of 1988 and will provide an additional 100 million cubic meters of water a year.

Officials announced the goals for supplying water to Istanbul within the framework of the Greater Istanbul water project. They are:

In 1987, 492 million cubic meters of water; 1988, 642 million cubic meters; 1989, 842 million cubic meters of water; 1990, 927 million cubic meters; and 1991, 947 million cubic meters.

Istanbul's future water sources are:

Buyukcekmece Lake and dam: Construction of the dam was begun by the DSI [State Hydraulic Affairs Directorate General] at the [Marmara Sea] inlet located 30 km west of Istanbul in 1984 and will be put into service at the beginning of 1988. It will cost approximately 15 billion liras. This will increase further with the construction of supplementary facilities. The lake's water reservoir covers 620 square kilometers, and it will provide 100 cubic meters of water per year. The lake's connection with the sea has been closed off, and the process of desalinization of the water has been begun.

Darlik Dam: Construction is underway, utilizing the land-fill process, on the Darlik branch and the Sile Stream, which empties into the Black Sea east of the Omerli Dam. The dam's cost is 26 billion liras, and it will begin operating in the middle of 1987. The reservoir will encompass 207 square

kilometers of land and will supply 100 cubic meters of water a year. The Darlik reservoir's water will be purified at the Omerli reservoir. The Darlik Dam will be completed in 1989 when construction on a new 23-kilometer-long conduit is finished.

**Isakoy Dam:** This dam will be located east of the Darlik Dam, on the Goksu Stream 5 kilometers southwest of the town of Agva. The reservoir will cover 466 square kilometers and provide 198 million cubic meters of water annually. Construction will begin in 1987.

**Kucukcekmece Dam:** Work on this dam will commence next year. The area of the reservoir will be 340 square kilometers, and 85 million cubic meters of water will be available each year.

**Streams west of Terkos:** Drought during recent years has led to water shortages in Istanbul and in Beyoglu in particular due to an insufficient water supply from the Terkos Lake. For this reason, the DSI has turned toward these streams. It is planning to build small dams on the Cilingoz, Kuzuluk, and Podima streams, which empty into the Black Sea east of the Istranca Mountains. The water collected will be pumped along a 20 kilometer-long conduit to the Ormanli Stream, which empties into the Terkos Lake. It is estimated that these three streams will produce 40 million cubic meters of water per year.

**Mudurnu Stream:** The DSI is considering construction of a dam to be used for both a source of hydroelectric power and water on the Mudurnu Stream, a branch of the Sakarya River, in order to replace use of this river, whose water has become extremely polluted.



- (1) Basic water conduits.
- (2) Water depots.
- (3) Pumping stations.
- (4) Treatment facilities.
- (5) Black Sea
- (6) Sea of Marmara.

- (7) Reservoir.  
(8) Dam.  
(9) Cay, Dere, D., = Stream.  
(10) Lake.  
(11) Mudurnu-Sapanca Channel.

## FINANCE MINISTER WARNS ARMED FORCES ON TIGHTER FUNDS

## Urges Greater Spending Effectiveness

Helsinki UUSI SUOMI in Finnish 12 Feb 87 p 9

[Article: "Esko Ollila: Defense Forces To Be Put in More Economical Posture"]

[Text] In light of the present economic prospects the accomplishment of the recommendations of the parliamentary defense committee does not appear to be very good. This was the assessment given by Finance Minister Esko Ollila (Center Party member) as he urges the Defense Forces to adopt a more economical operation.

According to Ollila, the margin for growth in the whole state economy until 1990 disappeared in the first year merely for the needs of the Defense Forces inasmuch as it is the intent to accomplish the recommendations of the committee as they stand.

The growth of total state expenditures was set at 1.5 percent annually in the budget proposal for the current year, and parliament made room for movement even narrower. The parliamentary defense committee has recommended an actual growth of 3.8 percent for the Defense Forces, 5 percent coming from technical needs and replacement of obsolete equipment, said Ollila.

The finance minister estimated in connection with the budget that national defense expenditures could increase realistically by only a little less than half of what the committee recommended in the next 5-year period.

## Conservative Paper Criticizes Comment

Helsinki UUSI SUOMI in Finnish 13 Feb 87 p 2

[Editorial: "Defense Funds"]

[Text] Finance Minister Esko Ollila has proceeded to make policy for Finland's defense policy. He has said along with the assessments of the Finance Ministry that national defense expenditures could increase by only a little

less than half of what was recommended by the parliamentary defense committee for the next 5-year period.

The committee recommended the appropriations after first determining the needs of the Defense Forces. When Ollila began to verify the level of expenditures, his ministry may also propose points where savings can be made. Would this, perhaps, be compulsory military service?

The Finance Ministry's recommendation for a more effective use of appropriations in the Defense Forces is being addressed to the wrong place. Can Ollila find another area of administration which has made its whole structure more efficient for reasons of economizing as much as the Defense Forces have?

10576

CSO: 3617/63

## AIRFIELDS TO INSTALL MICROWAVE LANDING SYSTEM IN 5 YEARS

Rome IL TEMPO in Italian 17 Oct 87 p 17

[Article by Giuseppe D'Avanzo: "Fog Will Not Stop Our 'Tornado' Planes"]

[Text] Within 5 years, the 15 more important Italian air bases and seven military airports open to civilian air traffic will be operable in all visibility conditions, even with the densest fog, following installation of "MLS" instrument approach and landing systems, 24 of which have been ordered from the Italian industrial consortium that is producing them under license at a cost of about 50 billion lira.

The "MLS" (Microwave Landing System) is a complex piece of equipment of extremely compact dimensions that transmits a beam of microwaves, whose signals, received and processed by the plane's equipment, enable automatic landings without visibility, and approaches that are not only straight but segmented, and with various degrees of angle, that is, avoiding mountains, hills and natural obstacles.

This system is designed to replace at commercial airports as of 1 July 1996 (by international decision) the current ILS (Instrumental Landing System), which features equipment of complex dimensions, expensive and delicate, easily disrupted radio signal, with straight approach on a restricted and uniform descent path, and in general lower performance than the MLS.

In accordance with the cited international decision, as of 1 July 1996 airports equipped with MLS will be able to dismantle the old ILS, which has been "slow" to give way to the new system because of the reluctance of most of the airline companies to install on planes the necessary electronic equipment for the MLS, which has to work alongside the ILS equipment over the transition period.

From the military aspect, the matter is different, since the "all-weather" availability of the bases assured by MLS increases the capability of reaction and thus of defense.

For this reason, some years ago the Air Force installed an MLS at Pratica di Mare airport, and with a twin-engine G.222 carried out the necessary evaluation operations and the compatibility tests with the old ILS (since at some airports the two systems will have to "coexist" until 1996).

The result was positive and it was subsequently announced that the competent department of the Defense Ministry was negotiating with the cited consortium (CISET, FACE, Italian Philips and Selenia) the supply of 24 MLS of the "Hazeltine" type, already approved in the United States.

At the same time, a start was made in installing on the Tornado fighter-bomber the equipment to exploit the transmitted MLS signals: this means that these aircraft on return from mission could land at a broad range of bases under any conditions of weather and visibility to be refueled and reused; in other words, the operational capacity of these planes would be multiplied.

Subsequently, the equipment to use the MLS will be installed also on the modernized F104/ASA interceptors, and thereafter on all the Air Force's planes. Rome's Ciampino is among the military airports open to civilian traffic that will have MLS, and one of these systems will be installed at Fiumicino by the Autonomous Flight Service Board.

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CSO:3528/76

## DEFENSE MINISTRY PLAN FOR NEW MILITARY INFRASTRUCTURE

Lisbon DIARIO DE NOTICIAS in Portuguese 5 Feb 87 p 2

[Article by Luis Delgado]

[Text] Control of military registration, mobilization, justice, and discipline, the administration of defense contracts, and the management and maintenance of infrastructures are some of the powers that would be granted to the Ministry of National Defense [MDN] under the terms of a draft organic law to which DIARIO DE NOTICIAS has had access.

Besides the powers granted to the minister under the terms of the Law on National Defense and the Armed Forces, this new bill would give the minister of national defense power to "guarantee the performance of the services in fields common to all branches of the Armed Forces and to superintend the areas of recruitment, justice, and discipline." The draft decree-law defines the MDN as a government department "responsible for preparing and executing the military component of the national defense policy and for carrying out and supervising the administration of the Armed Forces."

For that purpose, the draft organic law drawn up by Leonardo Ribeiro de Almeida's staff calls for the establishment of four general directorates (of national defense policy, personnel, financial administration, and infrastructure) and defines their duties. It also calls for the establishment of a general inspectorate of the Armed Forces and a general secretariat. Those new government organizations and departments will be backed up by 11 service directorates, 3 research departments, and nearly 30 other departments.

In its chapter on organizations and departments, the draft law says that the heads of the three armed services, the CEMGFA [Armed Forces chief of staff], and the Military Intelligence Service will remain under the authority of the minister through the CEMGFA.

#### Duties of New Organizations

Control and administration of Armed Forces human, material, and financial resources and of the MDN's departments and organizations will be exercised by the General Inspectorate of the Armed Forces, according to the draft decree-

law. That inspectorate will be headed by a general officer who will be appointed jointly by the prime minister and the minister of national defense after consultation with the Higher Military Council.

The General Inspectorate of the Armed Forces will be empowered to carry out inquiries, investigations, expert studies, and other investigation missions for informing the minister concerning the situation in the Armed Forces and their components.

Article 11 of this 30-page draft law also defines the authority of the General Directorate of National Defense Policy, a body that will include service directorates for general studies, internal affairs, and external affairs. The objective of this general directorate will be to plan and coordinate defense policy and to draw up recommendations concerning objectives, guidelines, and measures to be adopted by the MDN. Making preparations for the minister's international meetings and contacts, specifically within the framework of NATO, will be another of its duties, in addition to that of providing the Higher Military Council with technical support in matters of defense policy.

The Military Judicial Police and the Military Prison Service will remain under the direct authority of the General Directorate of Personnel, which will also superintend the departments for registration, recruitment, and mobilization, the purpose being to "free the Armed Forces of responsibilities not directly related to their operational component," according to the text of the draft.

The General Directorate of Personnel, which will include a research department and two service directorates (one for recruitment and mobilization and the other for legal affairs, justice, and discipline), will manage the civilian and military human resources of the Armed Forces, and its mission will be to define military recruitment policy and recommend legislation and actions considered necessary for civilian and military mobilization in situations of emergency or war.

Administration in the field of weapons and defense equipment will be assigned to a general directorate to be known as the National Directorate of Armament. It will define and carry out the general policies for weapons and equipment and their respective *quid pro quos* for the Armed Forces. This branch of the ministry will also be responsible for the coordination of defense industry policies and scientific and technological research in the field of weapons and defense equipment.

The National Directorate of Armament will also have authority to prepare for the requisition of resources, services, and firms that are of value for defense and to support the minister in drawing up military programming bills.

The Financial Office is another general Directorate provided for in the MDN's draft organic law. Funds for public investment in reequipment and infrastructure for the Armed Forces will be administered by this general directorate, which will also be responsible for supervising execution of the budget. The Financial Office will recommend guidelines to be followed in drawing up the annual proposed budget for the Ministry of National Defense,

and under it will be the Directorate of Budget and Finance and the Directorate of Economic Management and Contracts.

Another of its important duties will be that of examining and expressing an opinion on contracts for the procurement of goods and services for both the military forces and the MDN.

The General Directorate of Infrastructure is a body being established to manage activities related to the construction and maintenance of military and civilian infrastructures, both nationally and within the framework of NATO.

That general directorate will also coordinate liaison with the organizations maintaining foreign contacts in regard to everything related to military infrastructures to be built in our country under the terms of international alliances or agreements.

That new organization being called for in the bill prepared by Ribeiro de Almeida's office will also support the minister in authorizing construction in areas under military jurisdiction.

Lastly, the General Secretariat will be responsible for providing the MDN with technical and administrative support, specifically in the areas of organization, documentation, data processing, and public relations.

The draft organic law also mentions the other organizations that will remain under the ministry's authority, examples being the National Defense Institute, the National Security Authority, the Higher Military Council, and the Council of Chiefs of Staff. The Armed Forces Social Services will retain their legal autonomy.

According to one of the articles included in the bill, the organic structure of these new departments and their operating regulations will be published within 180 days after publication of the government plan.

#### Civilian and Military Personnel

About 800 employees, both civilian and military, are to fill the jobs that will be created in the MDN's own departments and those it supervises. Those rosters will be included in a directive that will be published at the same time as the legislative bill.

Management positions may also be filled by both civilians and military personnel. The legal text stipulates that the positions of director general and deputy director must be filled only by general officers if the choice falls on a military man and that departmental managers and division chiefs must be senior officers. Those positions will be filled by a decision of the minister of national defense after consultation with the CEMGFA, and in all cases, they will be covered by a special 3-year commission.

In article 25, the new organic law being proposed by the MDN discusses the question of financial cost, saying that "implementation of this legislative

bill will be paid for out of appropriations allocated to the office of the minister of national defense or by transferring appropriations included in the budget of the Armed Forces General Staff." The bill also provides for "offsets from the provisional allotment being held by the Ministry of Finance" if that is necessary.

#### Reaction From Military Chiefs

As DIARIO DE NOTICIAS reported in yesterday's edition, a military source has revealed that the heads of the armed services were surprised by the extent of this government plan, which has been submitted to them by Minister Leonardo Ribeiro de Almeida for analysis and subsequent discussion.

The source contacted by our newspaper added that one of the big concerns in military circles was the perfectly reasonable possibility that the new general directors would be chosen for party-political reasons, without regard for the technical profile of the duties required.

The chiefs of the three armed services and the CEMGFA, General Lemos Ferreira, will meet with the minister of defense in the near future to discuss the organic law. For its part, Ribeiro de Almeida's office admits that this draft law may undergo some alteration as a result of changes that may be suggested by the heads of the armed services to limit the reduction in powers called for by the new bill.

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## PARTIES' POSITIONS ON ENERGY SOURCES, PROBLEMS COMPARED

Milan MONDO ECONOMICO in Italian 26 Jan 87 pp 26-27

[Article by Leopoldo Fabiani: "Nuclear Yes and No"]

[Text] There have been differences enough among politicians to delay the Venice conference. Here is a full picture of the parties' positions, issue by issue (pending the turnover in power in March).

As was predictable (and also foreseen), the national conference on energy has been postponed. It will be delayed more than a month, and the work will begin on 7 March (the first date was 21 January).

The efforts of Minister of Industry Valerio Zanone were to no avail; he had always said he was opposed to the postponement. The opposite view prevailed in the Cabinet, having the support of requests by the three "wise men" who led the preparatory committees. Paolo Baffi, Umberto Veronesi, and Leopoldo Elia had asked for time to prepare their reports in less of a rush.

The reactions were not long in coming: two deputies (Proletarian Democrat Ronchi and Radical Tessari) resigned from the parliamentary committee preparing the conference. Communist Andrea Margheri, in charge of energy for her party, explained: "The plan is very clear. To delay the timing so that Parliament will proclaim itself on nuclear energy after the **turnover of power**. First, it was said that the issue was very urgent, and now the risk is letting it fade."

The accusation is aimed at the Socialist Party, which would happily leave the hot potato of nuclear energy to Bettino Craxi's successor. "A weak accusation," replies Giulio Di Donato, the PSI's representative for the environment. "We already took a courageous position by saying no to construction of new power plants in September, when the premiership was solidly ours."

The postponement of the conference is thus explained by practical reasons, not political ones. However, the concerns persist that all the decisions have been postponed because of the internal conflicts in the Government majority. And what will suffer primarily from this is the economic system, left without certainties.

The president of Confindustria, Luigi Iucchini, explained: "We would not want there to be a game of postponement of nuclear energy decisions. More than saying yes or no to nuclear energy, what is needed is to responsibly tackle adaptation of the National Energy Plan." In fact, what will come from the conference is only technical and scientific information, and the decisions will be political.

In theory, the range of choices in the energy field facing the Italian parties is very broad. In practice (as one can see from the following summarizing chart), the positions of the parties are very close on almost everything.

Everyone agrees that the share of oil in the energy bill must be reduced. All agree on promoting energy saving and hydroelectric power; and increasing the contribution of coal, on condition that new technologies are introduced to make it less pollutant.

The Socialists are aiming, more than the others, at an increase in the methane share, but this does not seem to be the decisive factor in the disagreement. The real decision, after all, is obviously over nuclear energy. The energy bodies are waiting for answers on this very issue.

In particular, the new president of ENEL, Franco Viezzoli, wants to know whether or not to proceed with construction of the new Trino Vercellese power plant, at a time when no party is raising for discussion the completion of the Montalto di Castro power plant. And it is over this that the parties are divided.

Thus, to find out whether the new power plant will be constructed, we will need to wait until April, power turnover and referendum permitting.

#### Parties' Plans for Energy System

[Questions]

- [1] Forecasts of energy demand and consumption.
- [2] Meeting of demand through sources: fuel oil, natural gas (methane), fuel solids (coal), nuclear energy, hydro and geothermic.
- [3] Procedures for locating power plants.
- [4] Role of energy agencies (ENI, ENEL, FNEA).
- [5] Who has the final decision?

[Party positions, keyed to above question numbers]



[1] World consumption expanding strongly. National consumption more moderate. Depends on: 1) Growth in the GDP, 2) Effectiveness of energy saving policy, which must be maintained.

[2] Italy still depends on imports for 82 percent of its energy. Thus, the policy of diversification of sources must be continued.

Oil: Dependence (58 percent) still too high. It should be decreased further.

Methane: It has reached 20 percent of the total. Its contribution can only increase a little.

Coal: Its share must be increased.

Nuclear energy: It would be wrong to abandon it. The Montalto and Trino power plants should be completed.

Hydroelectric: Increased contribution as far as possible.

[3] The energy agencies should apply greater planning discipline, while maintaining management autonomy. Monopolistic features must be reduced. The DISP [Nuclear Safety and Civil Protection Directorate] should be completely detached from ENEA.

[4] The decisions are up to Parliament. Management of the energy system must be improved.



[1] Overall consumption could decrease with a genuine conservation policy. Electric power consumption will grow slightly more than the GDP.

[2] It is necessary to further reduce foreign dependence.

Oil: Reduce as much as possible.

Methane: Use primarily for supplementary industrial and civil purposes.

Coal: Its share should be increased, with construction of new power plants.

Nuclear: Gradual phasing out. Ultimate closing of Latina, Pec, and Cirene.

Hydroelectric: this source must be increased, even if the contribution is marginal.



[1] There will not be significant increases in the next few years. Thus, requirements will be lower than the forecasts of past energy plans.

[2] The role of the various sources must be rebalanced.

Methane: Should increase from 20 to 25 percent.

Coal: Low-sulfur coal should increase to 25 percent.

Nuclear: Should be abandoned for safety reasons. If possible, Montalto should be converted. Caorso should remain.

Alternative sources: These must increase to 2.5 percent in 10 years. There should be a strong push in all research. We should aim at intrinsically safe reactors.

[3] The procedures should be better regulated. More participation in the decision, and then more rapid procedures for implementation.

[4] ENEA should do less with nuclear energy, and pay attention to conservation policy. The DISP should be separated from ENEA. Pec and Cirene should be closed.

[5] Decisions should be made by Parliament and implemented by the Government, which should be given more clear-cut instruments. A referendum only if there is not parliamentary agreement.



[1] Electric power consumption increasing.

[2] Nuclear moratorium. Concentrate on methane and coal in multi-fuel power plants with desulfurization. Aim strongly at conservation and renewable energy sources.

[3] It is necessary to site power plants in low population density locations. The regions approve the site and not the type of plant.

[4] In order to coordinate the energy policy of the agencies, a policy that is today irrational, establish a governing energy agency.

[5] Decision is up to Parliament, and must be implemented by the government. No to referendums.



[1] Overall consumption declining (-12 percent in 10 years). Electric power consumption increasing.

[2] Methane: Can be substituted for oil.

Coal: Should be increased. Desulfurization must be introduced, however high the costs.

Nuclear: The scale planned in the PEN should be maintained. Pursue research on renewable sources.

[3] The conference should specify how siting should be carried out, while protecting the population in regard to safety and environment.

[4] Reform ENEL: a holding company that combines a company for planning new plants, a company for management of plants, and a company for energy distribution. The role of ENEA should not be reduced.

[5] Decision is up to Parliament and should be implemented by the government.



[1] Electricity consumption, linked to development, will grow, though moderately.

[2] Develop diversification into all available sources, including conservation.

Methane: Has already reached maximum possible level.

Coal: Role must be increased, with "clean" technologies.

Nuclear: Finish Montalto and build Trino. In the long term, concentrate on research, especially new nuclear.

[3] Review the procedures in anticipation of the referendum. Take the affected population into account.

[4] Separation of the DISP from ENEA and its strengthening.

ENEA: Continue the Pec and Cirene projects.

[5] Parliament decides. Flexible in regard to a possible minister of energy.



[1] Overall consumption stable. Slight increase in electricity consumption. With a serious policy it could increase 1 percent a year.

[2] Methane: Increase use by 50 percent.

Coal: Increase with the new clean technologies.

Nuclear: Abandon it, substituting better use of hydroelectric and geothermal energy. Concentrate on renewable sources and not the "new nuclear."

[3] Referendum on procedures. The verdict of the people should be binding.

[4] Decentralization of the system and development of the municipal projects and self-producers. Redimension ENEA's role.

[5] Decision by Parliament after the result of the referendums.

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SOVIET TRAWLERS ACCUSED OF DESTROYING NETS IN 'WHITE ZONE'

Fishermen Report Incident

Stockholm DAGENS NYHETER in Swedish 11 Feb 87 p 7

[Article by Bo Westmar]

[Text] Last week, Soviet trawlers destroyed Swedish fishing tackle worth hundreds of thousands of kronor in the so-called 'White Zone' in the Baltic.

"They literally tore the Swedish fishermen's fishing tackle to pieces, and it is not the first time that this has happened," says Hans Bjorkman, legal adviser to the South Coast Fishermen's Association.

The incident occurred on 4 February when a number of Swedish fishing vessels were fishing for salmon in the 'White Zone,' the disputed area east of Gotland, which has been the subject of negotiations between Sweden and the Soviet Union for 17 years.

"Despite repeated warnings, three or four Soviet trawlers sailed right into the Swedish fishing tackle, picking it up and cutting it to pieces. At least three Swedish vessels had their tackle destroyed," says Hans Bjorkman.

Sailing Into Fishing Tackle

One of them, SG 48 Lyana of Solvesborg, requested assistance from the Coast Guard in Visby, which, however, chose not to intervene.

"We regarded the incident as the usual sailing into fishing tackle, nothing else. Moreover, we did not have any boat available when we received the call," says Gunnar Svensson, chief of the Coast Guard in Visby.

Even if it had been a question of an obvious attack on the part of the Soviet trawlers, it would have been very difficult for the Coast Guard to intervene," says Gunnar Svensson.

"We have no authority in the 'White Zone,' since neither Sweden nor any other state has jurisdiction over the area. Since 1984 we have not been inspecting that area, only our own fishing waters."

The South Coast Fishermen's Association has now asked the Coast Guard to investigate the incident and will also report it to the Ministry of Foreign Affairs.

#### Negligence

"It is a question of an obvious violation on the part of the Soviet vessels, not of any unintentional sailing into fishing tackle," says Hans Bjorkman, who is very critical of the conduct of the Coast Guard.

"They have displayed incredible weakness and negligence, which shows that Swedish fishermen in the 'White Zone' now are without any rights. The Russians are now bound to draw the conclusion that they may steal and destroy with impunity Swedish fishing tackle, since the Swedish Coast Guard will not intervene.

Since the incident last week east of Gotland, several fishermen have reported similar, previously unreported incidents.

"Several Swedish fishermen experienced similar incidents as late as last October. At the time, fishing tackle worth considerable sums of money was destroyed. The fishermen, however, have been afraid of Soviet reprisals, since they periodically fish on license in Soviet waters, and they, therefore, have chosen not to report the incident.

One of the vessels that had its salmon nets destroyed last week experienced a similar incident last October. The owner of the fishing vessel, however, wants to remain anonymous.

#### Compensation Demanded

Stockholm SVENSKA DAGBLADET in Swedish 12 Feb 87 p 13

[Article by Roger Magnergård]

[Excerpt] "It is an entirely new behavior pattern," the chief of the Coast Guard on Gotland, Gunnar Svensson, tells SVENSKA DAGBLADET. "I have sent the report on to the Ministry of Foreign Affairs."

The Ministry of Foreign Affairs declines to comment on the incident for the time being. Martin Hallqvist of the Information Office of the Ministry of Foreign Affairs, says that the reason is that "we are awaiting the complete report of the Coast Guard."

One of the fishermen, Kent Nilsson, whose fishing vessel, Lyana, was involved in the incident, demands compensation in the amount of approximately 100,000 kronor for destroyed fishing tackle and lost catches due to the failure of the Coast Guard to intervene.

Last Wednesday morning, Nilsson was fishing for salmon in the western part of the 'White Zone,' close to the point where the Soviet, Polish and Swedish fishing limits converge. He reports that several Soviet trawlers harassed him.

On their screens, the Swedes watched the Soviet fishing vessels crisscrossing the Swedish salmon nets. The nets were picked up, cut to pieces and robbed of their valuable contents. The nets were subsequently thrown back into the sea, Nilsson says.

"I take a very serious view of the incident," Hans Bjorkman, legal adviser to the South Coast Fishermen's Association, tells TT. Swedish boats are without rights in the 'White Zone.' Their fishing tackle may be stolen or destroyed without the intervention of the Coast Guard.



Fishing tackle worth hundreds of thousands of kronor was destroyed in the so-called 'White Zone' of the Baltic.

Key:

1. Sweden
2. Zone that is the subject of negotiations
3. Soviet center line
4. Swedish center line
5. The Baltic
6. The Soviet Union

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